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15 April 1993

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*** European Resolution of Yugoslav War Urged**

93BA0746A Sofia BULGARSKA ARMIYA in Bulgarian
15 Feb 93 pp 1, 3

[Text of lecture delivered by Defense Minister Valentin Aleksandrov to the faculty of the Academy of the General Staff of the Armed Forces of the Russian Federation: "It Is Time for the Countries in the Danube Area To Firmly Assume Their Responsibilities"]

[Text] I am pleased by the opportunity to address the faculty of the Academy of the General Staff of the Russian Army, one of the most prestigious higher military educational institutions and one of the scientific centers of military-operative thinking that has made a major contribution to the training of the Bulgarian military elite.

After the communist coup d'etat in Bulgaria, this process continued by tradition; the old system, which had proved its efficiency, unfortunately included the typical weaknesses of a totalitarian and dogmatic military training. One way or another, however, the role and place of the General Staff Academy in the development of the Bulgarian Armed Forces neither can nor should be questioned.

That is why in my lecture that deals with the end of the cold war and some security problems in the Danube countries I shall present views that, although not part of the official military doctrine of the country, in a certain sense define my activities in my highly responsible position.

The cold war ended three years ago with a "cool peace," as distinguished from a "cold peace" in which a "hot" war usually ends. This has its good and bad sides. The main consequence of World War II was that Europe stopped being the effective center of global politics, as it was after Napoleon's 1815 defeat. Despite the criticism of the system and structure of the Vienna Congress and its natural Eurocentric expansion through the alliance of the three emperors, we must admit that those years were, for Europe, years of peace and cooperation. It was then that the economic base was laid for the development of the powerful European empires of the future. The Potsdam Conference turned the world into an arena of rivalry and, for a period of 45 years, the conflict between the two superpowers carried within itself a potentially tremendous risk.

This is not the place to analyze the reasons that led to the dismantling of the Warsaw Pact, which was the armored fist of the global communist system. Let me emphasize merely a single fact of particular significance. It would be hardly possible to dispute the view that the accumulation of a nuclear potential and the possibility of its use, something which would have converted the world into a desert without winners and losers, totally invalidated the concept of General Karl von Clausewitz, which was brilliant for its time, to the effect that "war is the continuation of politics by other means." Since the

contemporary situation faces us with new, unusual situations, considering the fact that the effort that followed the end of the cold war not only did not turn out to be peaceful but proved to be quite complex and filled with dangers, I have decided to go back to the roots of military knowledge in substantiating my presentation.

Let me note with pleasure that one of the creators and leaders of your academy, Marshal Boris Mikhaylovich Shaposhnikov, is one of the people from whom I have learned a great deal. His book *The Brain of the Army*, in which he analyzes the Austro-Hungarian and German General Staffs, greatly contributed to making my knowledge on this matter more precise, the more so since, as an alumnus of the Austrian Diplomatic Academy, I had the opportunity to study the views and concepts of the object of his critique: Field Marshal Konrad von Hotzendorf. These two military thinkers have been my invisible advisers whenever I have been doubtful about something. By "consulting" with them I have come to decisions which I believe to be accurate.

It is obvious that the period after the end of the cold war proved to be unexpectedly complex and full of challenges and threats, contrary to some "rosy" forecasts. There were new acts of aggression, the most drastic of which was Iraq's attack on Kuwait. The seeds of old ethnic and religious enmities come to the surface. In a number of parts of the world, fanatics, factionalists, nationalists, and separatists profited from unsettled ethnic problems to act from a position of power, ignoring the fact that this was a direct threat to peace throughout the world.

The world could not remain indifferent to this situation. However, it was here that the effectiveness of the existing international structures proved its practical value. By saying this, I am referring not only to the events in the Gulf, but to those in southeastern Europe, with a view to the danger that Bulgaria may become involved in them against its will.

In the Danube region one may notice a very interesting development that seems to have been ignored by observers. In this area, the breakdown of the Warsaw Pact led not only to the removal from power of the communist parties but also to the breakdown of the entire Versailles Treaty system that had managed to survive even the terrible shock of 1945. A typical example of this was the peaceful division of Czechoslovakia, the appearance of the Moldovan problem, and, finally, the breakdown of and war in the former Yugoslavia.

Another interesting fact is that, in the assessment of such events, one notices an almost total abandonment of the ideological and strategic models of Europe of the Versailles Treaty.

France, as the creator of the Petite Entente and the pillar of Yugoslavia in the prewar period, was the first of the European countries to clearly and categorically call for the use of military force in that area.

At the same time, however, other present or former great powers have demonstrated their unwillingness to directly intervene. The international organizations are clearly unable to impose effective sanctions against Serbia and, at the same time, to keep Bosnia in a state of checkmate, despite the unquestionable proof of "ethnic cleansing" conducted by one of the parties, approaching the crimes committed between 1941 and 1944 on Russian territory.

The impression is that in some of the views expressed by the Anglo-Saxon politicians, the criticism of the Croats is virtually identical to the aimed at Czechia before the 1938 Munich Treaty, to the effect that it was unwilling to accept peace by making territorial concessions.

I cannot make clear and categorical projections about the development of events in the next few months. My impression, however, is that the dangerous merger between the military leadership and the ethnic formations in Serbia, to which we add a certain support provided by some political circles, given this entire firm and unyielding blend which is characteristic of the Serbs, their stubbornness would resist any pressure from the outside, aimed at the peaceful settling of the conflict. This is a dangerous precedent that must be carefully analyzed. I am increasingly convinced that an operation similar to "Desert Storm" will not be mounted. There are data indicating unequivocally that the United States is unwilling to play the role of world policeman and that the U.S. Congress and public will not tolerate such a development.

United Germany is another important factor in the close vicinity of this explosive area. Despite the criticism, it has been unable to do more, given the constitutional-legal and political impossibility of using real force in that area.

For that reason I would like to mention to you my deep conviction that the time has come for the states in the Danube area firmly to assume their responsibility for the resolution of conflicts under the conditions and within the limits of the all-European security process. The purposes of such cooperation would be the spreading of democracy, finding the best possible balance between opponents, and, by regulating the economy, reducing military programs and expenditures, as a result of which human, scientific, and financial resources will be released and serve the common development of mankind in the development of peace, prosperity, and humanism.

In addition to the basic legal and financial elements, such cooperation must also include an efficient view that would make possible the resolution of specific issues, some of which will be of a strictly military context.

The responsibility of Europe for events in the former Yugoslavia is increasing. There is no specific answer to the question of what to do. The increased use of sanctions, along with increased humanitarian aid, this time protected by armed guards, may be one of the solutions.

My impression, however, is that there is no will to implement it and to ensure real military backing for humanitarian transports. It may be necessary to create special protection units, which would meet violence with violence. However, this option conceals tremendous dangers.

That is why it seems to me that it is more necessary than ever to put to military and political practice the models that I indicated: the maximal closeness of ties among the General Staffs of the countries along the Danube Basin, along the Bratislava-Prague-Vienna-Budapest-Bucharest-Sofia line, and the study and practical application of a policy that would be formulated in Moscow, Bonn, Paris, and Brussels, necessarily taking into consideration Washington's policy.

The ideas I have presented may seem to some of you to be ahead of their time. Other ideas will probably be outstripped by events. Nonetheless, we must find the solutions that would best meet the interests of all those whose blood is being drained in the fighting, whose families are suffering in refugee camps, and whose present is crumbling into ashes without any secure future.

* Prisoners in Custody Awaiting Trial

93BA0756A Sofia TRUD in Bulgarian 25 Feb 93 pp 1-2

[Article by Anna Zarkova: "2,657 Bulgarians Imprisoned Without Trial"]

[Text] After one year, three months, and three days of being imprisoned in a cell at the Burgas prison without having been tried or convicted, Georgi Dimitrov Georgiev, native of Devnya, charged with participating in a matter related to stolen arms, declared a hunger strike, as he was lying still, face down. His parents and his brother shared their concern about him with the editorial board.

Georgi Georgiev was arrested on 2 November 1991. The charges were that as a manager of the BTS [Bulgarian Tourist Union] lodge in Devnya, he allowed stolen machine guns, hand guns, and grenades to be stored on the premises. Later, according to his full confession, he had become a middleman in the sale and purchase of part of them.

More than 12 months later, the pretrial procedure has not been completed. An indictment has not been filed at the Sliven military court. The attorney of the accused has filed numerous motions requesting the harsh measure of holding him in pretrial detention without bail be discontinued and bail set. No action has been taken on these motions.

In the meantime, some of the thieves who carried the stolen arms out of the armory with their own hands have been set free on bail.

The prisoner on hunger strike claims appropriately that the prolonged harsh, almost unbearable detention behind bars is in violation of Article 152 of the Criminal Procedure Code (NPK).

According to this statutory text, pretrial "detention" without bail is provided for crimes which carry prison sentences of more than 10 years or the death penalty. Exceptions to this text in Paragraph 1 are only cases where real danger that the accused will hide or commit another crime exists. This is true also when he has no permanent place of residence or where state interests require him to be rendered harmless behind bars.

According to TRUD's inquiry from the Main Administration of Correctional Facilities, there are 2,656 people in custody who, like Georgiev, are imprisoned without trial.

*** Discrepancy Between Economic Model, Reality**
*93BA0763A Sofia 168 CHASA in Bulgarian 23 Feb 93
p 9*

[Interview with economist Gancho Ganchev by Aglaya Shamlieva; place and date not given: "We Have Replaced the Planned Economy With the Chaotic Dictate of 'Free Monopolists'"]

[Text] *This is the Bulgarian model of the transition according to Gancho Ganchev.*

[Shamlieva] The International Monetary Fund (IMF) and the World Bank have framed the parameters of the transition for the former socialist countries. Doesn't it look like this model has failed?

[Ganchev] In a certain sense the International Monetary Fund and the World Bank do not exist. Their policy is none other than a consensus between the financially dominating states. In the reports that the World Bank publishes there is an objective analysis of the problems of the transition. The conditions in which shock therapy could be useful and when gradual transition has to be preferred are specified. The materials that the World Bank developed specifically for Bulgaria contained certain alternative possibilities.

The two organizations note a large number of mistakes. However, I would not say that the proposed model has been subjected to an official reappraisal. According to my personal impressions, the experts who deal directly with the posttotalitarian states recognize that the classic schemes by no means always work here.

[Shamlieva] Certain world-famous experts and institutes are sharply criticizing the IMF model for the transition. They foresee serious social conflicts and even an explosion in Eastern Europe. And they raise the question: Is the transition possible at all?

[Ganchev] The explosion has been at hand for some time already. The conflicts in Yugoslavia and the CIS, the disintegration of Czechoslovakia, and the conflicts in all

other countries are sufficient. The problem is to keep this explosion from detonating into even wider conflicts. The West awaits the moment to further another type of transition in Eastern Europe. Two concepts appeared at the beginning of 1990. The Italian foreign minister at the time, Gianni de Michelis, launched one of them. He wanted serious financial assistance to be rendered to Eastern Europe, and he wanted a large part of its foreign debt to be simplified if it was incurred before the radical reforms. This proposition was not implemented. The other one was adopted: Eastern Europe has to prove its intention to carry out the changes and only after that will financial support be rendered. Everything was engendered by the lack of understanding of the enormous complexity of the transition period.

[Shamlieva] Surely now people are asking if the transition is possible at all?

[Ganchev] In principle yes, but not automatically. Another model is necessary—a special economic theory of the transition. The economic systems that are carrying out radical reforms are neither market systems nor command systems and have very different rules governing their behavior. One may say with certainty that not every policy of liberalization and introduction of market mechanisms is achieving its goal. It is possible to achieve simple replacement of centralized control with the chaotic dictates of decentralized monopolists. This is the Bulgarian version.

[Shamlieva] During the transition, all posttotalitarian countries have gotten into trouble.

[Ganchev] All countries are experiencing serious difficulties. Poland appears to be overcoming the fall, but the other countries are in a very serious crisis. The crisis was programmed right into the very logic of the reform, subject to the notorious monetary textbook and neoclassical doctrine. Bulgaria always followed some kind of example. Before the reform, shock therapy à la Balcerowicz was in fashion. Moreover, we know with certainty that the IMF was ready to support monetary reform. It would have given a crushing blow to speculative capital. The opposite thing happened. In the first weeks after the liberalization of the prices certain groups automatically embezzled 20 billion leva, according to my estimates.

[Shamlieva] Does the failure of the transition in Eastern Europe influence the world economy?

[Ganchev] The "Great Depression" in the 1930's discredited the classical economy theory and meant the domination of Keynesian economics. Then the "oil shocks" dethroned it and monetarism came to the center. The failure of the neoclassical experiment in Eastern Europe seeks a new rationalization. The "all-explaining theories" already are impossible.

In the United States Bill Clinton won the presidential election with a slogan about a greater role of the state as a coordinator of economics.

*** Adoption of New Insurance Law Urged***93BA0763B Sofia 168 CHASA in Bulgarian 23 Feb 93
p 9*

[Article by Emil Bozhinov: "'Comprehensive' Is the Greatest Test"]

[Text] *A new law and superior supervision may change the present chaos of the insurance market.*

In our country the insurance policies for motor transport vehicles (MPS's) are of two types: "comprehensive," which covers damages inflicted on the insured automobile, and "civic responsibility" for damages caused to third persons and property located outside the automobile as a result of driving the automobile.

In addition to the mandatory insurance policies in accordance with Article 5 of the Law for the State Insurance Institute (DZI), there is also voluntary property insurance regulated in Ordinance No. 5 of 1974 and Ordinance No. 6 of 1981. The DZI, "Orel," "Sofia INS," "MIK," "Garant," and "Vitosha" insure MPS's. There are different versions of policies: "super comprehensive," "complete comprehensive," "comprehensive—expanded," "partial," and so forth.

The diversity in the market is determined by the type of the insurance policies applied, by the specific conditions, and the volume of the risks covered. Different rates are applied for determining the premiums. The BONUS-MALUS system has been used for many years in the West. BONUSSES are encouragements by reducing the premiums for the entire following year for the owner of an MPS who has not had accidents or damages, and MALUSES are sanctions for increases in the premiums for those who have had accidents and received compensation under certain conditions. Since 1992 certain companies in our country have been developing and are beginning to apply their own versions, which up to now are most frequently BONUSSES.

The order for determining the rate of compensation is an essential factor. The voluntary "comprehensive," generally speaking, covers the real market prices of the parts and labor for repairing the damage to the MPS. It is precisely here that many problems caused by the uncontrolled market arise. Shocking cases of double and triple prices for spare parts installed have compelled some insurance companies to forbid purchases from certain companies and not to acknowledge their invoices. Some automobile service stations charge an unjustifiably and impermissibly high price per hour of labor.

It is harder and harder for tax-financial monitoring to catch the false invoices for sales and services which actually are not performed. Up to now verifications by the insurance companies have been made difficult and in a number of cases they have been impossible.

The way out is precise development of the conditions for determining compensation. For the prices of new parts

this is the average market price, and for repairs, determination of the upper limit of the price per hour of labor, differentiated into approximately three classes of automobiles.

The increase of repeated highway accidents because of careless driving or negligence is reflected in the injury rate. A progressive increase in penalties in the case of damages where there is fault is the most effective preventative measure. The existing 10-percent increase in penalty for "mandatory comprehensive" is ineffective. Depending upon the amount of damage, for example, 2 percent will be deducted for each 10 percent of the insured sum. Thus, in the case of damage amounting to 50 percent of the insured sum, it will be 10 percent and, in the case of total, 20 percent.

The number of insurance companies will grow, and foreign ones will come. It is urgent that we adopt the new insurance law and that an independent insurance supervisory board be created that will regulate, limit, and control the companies and the insurance market, in order to guarantee the rights and the interests of the insured.

*** Private Agency To Safeguard Authorship Rights***93BA0756B Sofia DELOVI SVYAT in Bulgarian
5 Feb 93 p 2*

[Article by Nadezhda Todorova: "ARETE, the First Private Copyright Agency Strives To Achieve Balance Between Intellectual and Property Interests"]

[Text] The first issue of ARETE, a new specialized magazine published by the first private agency for copyright protection in our country addressed to everyone aware of the need for legal education in the field of intellectual property, was the official reason to give forum to different points of view regarding the problem with balancing private and government interests in the sensitive area of copyright management and protection. "We feel that this link can be accomplished only by private initiative on copyright," was the ARETE executive director Mr. Ivan Kolarov's categorical position.

According to the words of Borislav Dimitrov, the agency's managing director, ARETE, which was created in March of 1991, is the first private legal organization for copyright management, representation, and protection not only in Bulgaria, but also in Eastern Europe. The agency registers literary, artistic, scientific, and other works, and represents and manages the protection and marketing of the property rights of performers, producers, and publishers. Set up according to the regulations of the International Nongovernmental Federation of Organizations for Copyright Management and Protection (CISAK), with headquarters in Paris, ARETE has the same status, structure, objectives, and principal activity. It provides registration of intellectual works, monitors whether the authors are paid appropriate royalties for use of their works, signs contracts with users,

collects royalties and distributes them among the copyright holders, and if necessary represents authors' interests and rights, as well as those of other individuals who have so authorized it. The agency maintains the first private intellectual property register in the country, which, according to the founders, by issuing special certificates, provides a legal guarantee in deals involving copyright and intellectual property to safeguard them from "piracy" and to provide glasnost and publicity to existing copyrights.

The concept of the agency allows the formation of a new management system and infrastructure of intellectual property rights. ARETE's open plan, according to its creators, is a model for the "achievement of balance between private initiative and government in the protection of copyright and the coordination of authors' and users' interests which will help improve protection and development of intellectual property in Bulgaria."

Does this mean that even before JUSAUTOR, the only state copyright agency in our country, becomes inactive, ARETE has become a true competitor?

The answer to this question is the stumbling block around which a spiral of dichotomous, sharply different opinions have developed. According to Georgi Sarakinov, chief counsel of the state copyright agency, "it harbors no jealousy or bad feelings for ARETE," and as proof he pointed to the fact that JUSAUTOR itself wrote the text in the copyright bill dealing with its own dissolution. What was the reason? At the moment it carries out three completely incompatible functions: it provides *state copyright management* (registrations); it acts "*as an organization for collective management of*

rights" (according to a ministry decree it is still a monopoly in the field of minor rights) and as a *commercial organization*; a middleman in contracts according to which Bulgarian authors give permission for use of their copyright to clients in Bulgaria or abroad.

Expressing his own confidence that ARETE will develop and that it has a "good future in our country," Mr. Sarakinov, nevertheless, feels "that the founders do not understand some of the fundamental issues of copyright management and so they commit errors which later could reflect negatively on them." According to him, the private agency has no legal right to infringe on governmental administration, which makes ARETE's legal authority to register copyrights questionable; he feels its ambitions to act as an organization for collective protection of rights unfounded.

Mr. Borislav Dimitrov counters: "We can register anything we wish. And we have the courage to say we are doing everything possible to defend intellectual property rights. And we do it much faster and better than the state agency. Our registration has the priority of timeliness, while the perfectly executed contracts play a preventive role, and also serve as evidence."

So until the new copyright bill is passed by parliament (according to projections: from second rank, that is, it is between 19th and 40th place in order of priority, after the 100 bills ready for discussion) authors have the holy right to decide for themselves whether, to whom, and how, with the least personal risk, to entrust the care of their intellectual work. It is comforting that, at least for now, there are only two agencies: the state-owned JUSAUTOR and the first private ARETE.

*** Livia Klaus on Family Life, Personal Values**

93CH0472A Prague ZEMEDELSE NOVINY
(supplement) in Czech 12 Mar 93 p 2

[Interview with Livia Klaus, wife of Czech prime minister Vaclav Klaus, by Marie Kulijevycova; place and date not given: "In the Public Eye"]

[Text] *Livia Klausova has the singular position of a woman identified with the responsible task of a demanding profession. Today especially, the role of an economist is very much in the public eye. But she is also the wife of a politician and creator of the economic reform, and so she is fulfilling her life's role as well. How? We asked her about it with unconcealed curiosity.*

[Kulijevycova] What do you consider to be the basic requirements for a good life? What constitutes happiness for you? And what does family mean to you?

[Klausova] Happiness is too big a word. Health is the foundation of life. And a family, that is security, with the adults leading and the young ones relying on the parents.

[Kulijevycova] Are you a dominant or, rather, a submissive type in marriage?

[Klausova] I believe I can defend my territory quite well. I may not be the wholly subordinate partner, but I do not always have the last word, either.

[Kulijevycova] How did you and your husband meet?

[Klausova] We studied at the same school, the same subject. We met once in the hallway on our way to a Spanish class, and then he walked with me to the streetcar stop.

[Kulijevycova] On what did you base your future relationship?

[Klausova] Probably like everyone else. First, you find him terribly attractive, you simply are in love with him, then you find that you have many things in common, and, finally, one day you make the decision.

[Kulijevycova] What are your differences, and what are your similarities?

[Klausova] We probably complement each other as a couple in many respects. There has to be agreement on the basic issues, family, children, and also on money, which, however, is not by far as fundamental a consideration. If that were not the case, we could not be together. And, as far as conflicts are concerned, we resolve them the way it is done everywhere—we even have constructive arguments. Not that we would sit down in comfortable chairs, put on some music, and that would resolve the conflict. Do you know such a family?

[Kulijevycova] What kind of person are you—tolerant, patient, humble, decisive, stubborn or unyielding, persevering or self-confident?

[Klausova] I would probably choose contradictory traits: I am very patient and tolerant, but also quite stubborn.

[Kulijevycova] What binds you together as a family? What characteristics and skills do you have in common, if we include both your sons?

[Klausova] They are already young men, but, for parents, they are still children: Vaclav (23) and Jan (18). What binds us together? That has to be something we all can do. In the Klaus family, the father is a keen sportsman, without peer. And so we all like to go to the mountains, in summer as well as in winter. I only learned skiing from my husband. It is wonderful when someone can teach you something that was not accessible to you before.

[Kulijevycova] What kind and how big a family did you both come from?

[Klausova] I come from a large family; there were five of us children—four sisters and then our kid brother. When he was two years old and I was 15, our father died. So we all went through the school of life much earlier than others. And we have had to take care of ourselves since we were children. It was nothing unusual that, when I was 10, I used to deliver newspapers and take my brother to nursery school and a neighbor's son to school. Our family did not have much money, but, at the same time, I do not think many people had a childhood such as I had. We went through everything five times over, we shared the good as well as the bad moments, there were always people coming and going. In the Klaus family, there were two, Vaclav and his sister. And their mother stayed home until the time he was of marriageable age. And there was not much money there, either.

[Kulijevycova] Why did you decide on your particular field of study?

[Klausova] You may be surprised, but we all graduated from an institution of higher learning: in philology, sociology, mathematics and physics twice, and economics. I originally wanted to study pedagogy. But then it turned out to be economy, foreign trade.

[Kulijevycova] Is the present style of your personal life interesting? Is it the way you always imagined? Would you like to change it in any way?

[Klausova] Ideas about one's life keep changing at every stage. But you said personal life. Everyone thinks I certainly have nothing to complain about. But I did not anticipate the less pleasant side of the life I am now experiencing. I imagined that I would find myself in an environment where one would otherwise not have access, that I would meet interesting people, but I did not imagine at what price. It is the gilded surface that confuses people. Private life, family and its cohesion get lost behind it. But every change has its pros and cons. My husband and I experienced both kinds of life. If I could choose, I would not choose my present kind of life. That

is something people find hard to understand. They see only beautiful clothes and goodness knows what, but it is always a trade-off.

[Kulijevycova] How about your family hearth? How do you feel about your apartment, your country cottage, your domestic life?

[Klausova] We have an apartment in one of the panel-constructed apartment buildings, and it has suffered a lot as a result of this change. Because there is not enough time, it is beginning to look run-down, and, on top of that, there is no room in it for anything. A person as visible as my husband has many things, and we cannot find room in the apartment for them. He cannot have one suit and four shirts in the closet. There is no place to put the skis or our sons' bags, with their hockey gear, and the suitcases. I like nice surroundings, although they do not have to be super furnishings and great paintings. It is difficult, however, to talk about a family hearth. The cottage is my joy, but the time when I could devote time to it is gone. We do not have weekends.

[Kulijevycova] Do you find any free time for yourself at all, and are you inclined to use it for some specifically feminine pursuits, such as fashion, for example? I am thinking of clothes, cosmetics, makeup, perfume.

[Klausova] As you can see, cosmetic firms do not find me much of a customer. But what woman would say that she does not care what she looks like and that fashion is of no interest to her? But there again, time is the problem. I am fortunate to have my colleague Ivanka help me with buying clothes; she enjoys doing it. I have, in fact, been very lucky in having terrific people around me at work.

[Kulijevycova] Do you believe in keeping to a strict daily schedule, or do you like to improvise?

[Klausova] I am different from my husband in that respect. Although I keep some rules of the game, I am the type who, when things get to be too much and every minute is planned, goes and plays hooky. There are times when I must escape from that straitjacket, have a cup of coffee, and close the door behind me so that no one can get to me.

[Kulijevycova] Are there some activities you absolutely do not pursue at home, activities you simply cannot get into? For example, reading, spontaneous visits to exhibitions, concerts?

[Klausova] That is a sign of the times. In the past, you were not allowed to realize your full potential in the important matters (they did not let you do certain types of work or attend conferences) and so you devoted more time to your hobbies. That has changed now. Today, one does new things and gives up others. The fundamental point is not what activity one does not engage in but what kind of freedom one either does or does not have in choosing activities. What I regret is that I do not find some moments to talk to our mothers, siblings, friends.

And they, because they are understanding, stay in the background, and the free time is taken up by those who need, want, or demand something or who turn to you with serious matters. And I often cannot say no.

[Kulijevycova] What would you do with any free time that is left, if you could choose? Would you devote it to exhibitions, theater, movies, music, sport?

[Klausova] That question only makes me smile. I do not think that, in the past three years, I ever went to a concert or the theater because I chose to do so, which does not mean that I have not seen or heard a lot of performances and concerts to which I was invited and from which I then chose.

[Kulijevycova] All this new way of life requires much concentration and energy on your part. Where do you find it, what do you draw it from, how do you recharge it when it begins to run down?

[Klausova] Same as my husband, only from talking to people. Because I miss so many things, including my private and family life, my only chance is to be present at what my husband is doing. And to hear people say: Yes, Mr. Klaus, what you are doing is good. We are rooting for you, we shall support it. To see people and read the vast number of their letters. That gives me encouragement as well as energy. Otherwise, I would have to ask myself: Why are we living through all of this? Sometimes doubts enter your mind when you listen to the radio, watch television, read the press, and, on top of that, some anonymous letters. But the other nevertheless outweighs all of that. However, I also must be convinced that, no matter what happens, what my husband is doing he is really doing in good faith. And I do feel this way: He is qualified for it and really knows what he is doing.

[Kulijevycova] Do you have real friends, and how do you recognize them?

[Klausova] Very easily. In the past, we sank to a very low point on the scale of demand and friendships. Now it is the other way around. The real friends have not changed, then or now, in the way they treat us. There are new ones, too, but even they are such that, if you call them in the middle of the night with a problem, they will not be surprised or ask questions.

[Kulijevycova] How do your sons handle this up-and-down situation?

[Klausova] It is not perfect, I can tell you that right now. But our sons resolved it quite well—unfortunately, at the cost of our family life. Unless it is absolutely necessary, they do not want to appear in public with their father. They prefer to have their own lives, uninfluenced by the burden of popularity of one of the family members, which, for the two of us, is not the most ideal solution.

[Kulijevycova] Do you ever think about being wealthy? What would you do if you were to unexpectedly come into possession of an enormous amount of money?

[Klausova] A lot of money? When I was a child we never had money. True, we would imagine what we would get for ourselves if we were to win some: an apartment, furniture, vacations. Later, looking back on it, one came to the realization that it is not true that money is the most important thing. It also happens to place a lot of obligations on you. But even today I would probably buy a larger apartment. And some would certainly go to many needy people and for necessary things because I know what worries people and what is needed where. If I appear with a nice hairdo next to the president, it does not mean that I forgot how to prepare a meal on a low salary. Never in my life did I ask myself the question (and did not have to answer it even to myself) whether I would change my life if I had a lot of money.

[Kulijevycova] What would you say about the scale of human values? How was it formed in your consciousness over the years, and which one is, in your opinion, the moving force in a person's life?

[Klausova] I would rather talk about what I value and try to instill in my children: humility and compassion and other qualities essential to life, which flow from them. As far as relations with other people are concerned, trustworthiness, being able to rely on people.

* Future of Czech Social Democracy Weighed

93CH0510A Prague RUDE PRAVO in Czech
17 Mar 93 pp 1, 9

[Interview with Jiri Pelikan, former European Parliament delegate, by Katerina Perknerova; place and date not given: "If the Left Does Not Become Sufficiently Differentiated, It Will Not Gain Any Voters"]

[Text] *Former European Parliament delegate Jiri Pelikan is known in this country primarily as the founder of the exiled periodical LISTY, which he has been publishing in Prague since November.*

[Perknerova] Do you believe the election of Milos Zeman to head the CSSD [Czechoslovak Social Democratic Party] will be helpful with respect to the specific profiling of the entire leftist portion of the Czech political spectrum?

[Pelikan] I do not believe such a complicated problem can be solved by the mere exchange of individuals at the head of the CSSD. In this country, we are currently primarily concerned with creating a democratic left in the image of a classical social democratic party. The recent Hradek congress took a step toward overcoming the dilemma that has been afflicting the CSSD thus far. Either to be a party faithful to the old authentic Social Democrats, who had rejected amalgamation with the CPCZ [Czechoslovak Communist Party] after February 1948 and were persecuted for that decision and are, therefore, opposed today to any kind of collaboration with former or current communists and, at this price, to be a party that is moral and clean in terms of personnel problems, but is obsolete, marginal, and a party of little

influence. Or transform the party into a modern leftist party that will have not only a clear program but also a broad membership base and enjoy the support of voters to become either an alternative or an honorable partner for the government, as is the case in Western democracies. However, this presupposes that it will gain support also among the present membership, particularly among the voters of the existing KSCM [Communist Party of Bohemia and Moravia], who agree with democracy and a mixed market economy and, at the same time, desire social justice.

[Perknerova] Is this second alternative realistic?

[Pelikan] On the basis of my experience, I can say that a similar path was trodden even by the social democratic or socialist parties in Spain, France, and Italy, where the communist parties were very strong and where the Socialists in the originally smaller parties asserted themselves by opening a dialogue with the communists and by gradually attracting communist voters to their side. If I understand the results of the Hradek congress correctly, it sent a signal indicating the the CSSD, under the leadership of Milos Zeman, wants to be an opposition party that respects all of the rules of a parliamentary democracy, but that will criticize the government and submit alternative proposals bearing on government-proposed laws.

As such, it can justifiably make citizens feel that there is a real possibility here at a moment, at which government policy proves to be ineffective to supplant it with the policies of another party or a coalition.

[Perknerova] Can the Zeman postcongress statement that there is room to the left of center for only one party in our country—the CSSD—be understood in this manner?

[Pelikan] This is understandably Zeman's desire, but I do not believe it will come about so rapidly. After all, there is the KSCM, a party that bears great responsibility for the totalitarian past, but a party for which a portion of the population that is certainly not responsible for the policies of the former leading officials of the CPCZ are voting and who, on the other hand, agree with the introduction of a pluralistic democracy and a market economy and, at the same time, long for a certain form of social justice. In view of the fact that, within the KSCM, there has appeared the Stepan platform "favoring socialism" or Hruza's Marxist-Leninist stream and because Svoboda, on the other hand, stresses that the KSCM is supposed to be another party, both in terms of its title and also regarding the content of its policy, I see no prospects other than the disintegration of this party into two or more groupings, one of which will be authentically communist and the other close to social democracy as a result of its program and conduct. Whether such a party or movement can exist in parallel alongside the CSSD or whether its followers will gradually find a way to social democracy is a question for the future and a question pertaining to the capabilities of the CSSD to

establish a dialogue with these people and to open itself to them. Much depends on how the situation within the KSCM develops—in other words, whether the majority or at least a substantial portion of the membership of this party will support Svoboda in his efforts to distance himself from the past by changing the party's name and policy. Of course, in view of our historical experiences, any kind of new amalgamation of the KSCM with the CSSD is excluded.

[Perknerova] But Zeman stated that any collaboration of his party with the KSCM is out of the question. Does he not block a number of people this way who are, say, already leaning away from the KSCM but whose inclination toward the CSSD is being prevented?

[Pelikan] The declaration by M. Zeman must be understood as a statement by a new chairman of the CSSD, who must express the views of various groupings within the social democratic movement itself. At first glance, for his party, it would be ideal if it were to represent the sole stream of the democratic left. But I find this to be unrealistic. The CSSD, I believe, should therefore indicate that it has no intention of relegating the current members of the KSCM or their voters into any kind of ghetto because of their past. And I believe that this republic should not judge people by their past, other than those who were guilty of criminal acts, but should judge them according to whether they are willing and capable of contributing toward the creation of a new democracy. Unfortunately, this is disrupted by the search for such phenomena as are represented by the lustration law or by the coming law on anticommunist resistance instead of continuing a policy of national understanding, which was proclaimed in November 1989 and which proved itself in Spain and other countries making the transition from a dictatorship to a democracy. To the extent to which the CSSD sends this signal, it can become a certain catalyst of development in the democratic left. If it closes itself off, or if it were to even seek partners primarily in the center or to the right of center, it could not become such a catalyst.

[Perknerova] But Zeman sent his first signal precisely to these parties, when he addressed the LSU [Liberal Social Union], the HSDMS [Movement for Self-Governing Democracy-Society for Moravia and Silesia?], the OH [Civic Movement], and the trade unions with his idea of a Realistic Bloc. However, he did not meet with an excessively enthusiastic response.

[Pelikan] I, too, was more in doubt personally with respect to the notion of a Realistic Bloc of this type. The Social Democratic Party should shape itself in accordance with the examples set by parties of this type in the West, without an inferiority complex, as a strong leftist party, in the knowledge that its place is truly on the left rather than in the center. By this, I do not wish to say that I am undervaluing those entities to which Zeman turned. I do believe that the left is made up not only of some political parties but also of trade unions, ecological

movements, women's movements, and youth movements. Today, even in the West, some socialist politicians, such as the Frenchman Michel Rocard, are reaching the conclusion that the left will be made up of parties having a new orientation that will be perceived in a much broader sense. Nevertheless, even entities formed in this manner will have to clearly differentiate themselves from the conservative parties. If they do not differ sufficiently, they could not attract any voters. In this sense, Milos Zeman certainly was correct when he expressed the thought in his statement, albeit somewhat coarsely, that the government will get sick of him—in other words, that the democratic left must represent a specific alternative in the eyes of the public. This means criticizing the decisions of the government, which he does not consider to be correct, and, at the same time, clearly stating how things should be done otherwise. On the other hand, where the government takes correct measures to benefit all of society, it is necessary to support it. An opposition policy does not mean to be opposed to the government under all circumstances.

[Perknerova] And what about the role of the opposition as a strict monitor of a government coalition and of the mammoth property transfers, which are actually the largest since the Battle of White Mountain?

[Pelikan] Certainly, even that is one of the important tasks for opposition parties. They must be very strict with respect to the government parties. In fact, they should serve as a moral example of purity for the government parties, but, unfortunately, this is not always successful even in Western democracies. For example, the present crisis in the Italian Socialist Party is based on the fact that, after it moved from being in opposition to being a coalition party with the government, it gradually acquired similar methods to those used by the government party and began making use of certain opportunities stemming from its share in governing, including making use of corrupting enticements. In Italy today, this leads to discrediting the political parties and even to casting doubt on parliamentary democracy as such. It is turning out that democracy in and of itself is not capable of preventing the abuse of power. This is all the more true for our situation, which involves a transition period and radical ownership changes that weaker characters are downright provoking so that they can benefit from them. Furthermore, in our country, such concepts as service to society and to an ideal have stopped being respected; on the contrary, the brutal views that the most important thing is to enrich oneself not on the basis of thorough and honest work but by misusing the situation have become widespread.

[Perknerova] In this country, there is now much discussion over whether the Klaus thesis, that the market will solve everything, is not expressly on a collision course with the needs of society to have a certain vision or a partial concept regarding its reconciliation. It would appear that this is not necessarily only a sovereign Czech dilemma....

[Pelikan] The signal the U.S. electorate sent by giving its votes to Clinton would indicate that the neoliberal concept of the economy, which was based on the omnipotence of the marketplace, is today in crisis and is therefore being rejected by a part of the public in the West. This concept did not react in time to the advent of new moments that would have completely destabilized society without state control. I have in mind, for example, the growth in unemployment, ecological problems, immigration from Third World countries, a surplus of agricultural products, international criminality, and terrorism—in other words, those manifestations of the modern world that require a search for harmony between absolutely necessary laws of the market economy and the control functions of the state. In contrast to so-called real socialism, in whose name the Soviet model was imposed as the only valid one, a market economy is not any kind of firm model and exists in many variations, so that it facilitates an entire series of solutions based on the needs and specific situation that exists in each country. Therefore, it is not wise to authoritatively assert certain solutions as the “only correct and possible ones” and to designate other concepts of reform as “leftism” or as a “third road that only leads to the Third World,” as we often hear and read. It is therefore necessary that the variations of development be debated, both between specialists and in public. I cannot imagine any kind of successful course of any type of economic reform without support by the citizenry because the meaning of democracy is based precisely on the will of the people.

* Czech, Slovak Republic Budgets Viewed

93CH0497B Prague *EKONOM* in Czech 10 Mar 93
pp 15-17

[Article by Petr Fejtek: “Budget Calculations”]

[Text] On 19 December 1992, the Czech National Council [CNR] approved the law on the state budget for 1993, on amendments and supplements to some CNR laws and regulations. The system of public budgets of the independent Czech Republic [CR] was constructed in a situation when different conditions and starting points obtained: a higher degree of uncertainties (the republican budget also had to include a portion of the former federal functions), a fundamental change of the tax system, and a new form of the local budgets as well as the health insurance system.

Special attention in constructing the budget was given to calculations on the revenue side. The goal of the budgetary policy in the interest of continuing transformation

was unequivocal: to maintain an anti-inflationary environment, a neutral effect of the budget. Therefore, the revenue side was constructed first, taking into account that, at the beginning, a certain part of the value-added tax will not be successfully collected. Deliberations on expenditures were then based on the anticipated revenues, in order that the budget would not inject inflationary impulses into the transforming economy. A balanced budget policy is one of the prerequisites for the inflationary situation (which still threatens) not to get out of hand. The budget, therefore, has in the first place a stabilizing function.

Evaluation of the economic developments and the results of last year supported a sober optimism for this year, even though it is necessary to count with certain fluctuations and uneven or even equivocal developments. A full liberalization of wages, the economic developments in most large enterprises, uncertainties about trade relations with Slovakia, the real impact of the completion of the privatization of enterprises in the first round, continuing recession in the developed economies—these are at least some of the factors that can strongly influence developments during this year. The macroeconomic assumptions can be expressed in these values of the basic indicators:

- Growth of the GDP: 1-3 percent.
- Rate of inflation: 15-17 percent.
- Average rate of unemployment: 4-5 percent.
- A positive balance of payments maintained.

System of Public Budgets

The total CR budget is newly constructed as a system of several subbudgets, of which only one is the state budget proper. This budget is supplemented by local budgets and the budget of the health insurance agency. As a system, these three budgets for 1993 are balanced, although part of the state budget is apportioned to the local and health insurance budgets.

Of the total revenues, amounting to 416.7 billion Czech korunas [Kc], Kc342.2 billion (81.1 percent) go to the state budget, Kc41.0 billion (9.8 percent) go to the local budgets, and Kc33.4 billion (8.1 percent) go to the health insurance agency.

Of the total expenditures, which also amount to Kc416.7 billion, the state budget shows Kc305.2 billion (73.2 percent), the local budgets Kc58.0 billion (58 percent), and the health insurance agency Kc53.5 billion (12 percent).

Table 1
System of CR Public Budgets

Indicator (in Kc billion)	Expected Reality 1992 ¹	Proposal 1993	Increase 1993	Index
Total Revenues	369.5	416.7	47.2	112.8
Including:				
—State budget revenues	324.2	342.2	18.0	105.6

— Internally generated revenues of local budgets, including extra revenues of towns and communities ²	45.3	41.0	- 4.3	90.5
Of that amount, internally generated revenues, exclusive of the special revenues	28.1	38.0	9.9	135.2
— Internal income of the health insurance agency	0.0	33.5	33.5	x
Total Expenditures	375.3	416.7	41.4	111.0
Including:				
— State budget expenditures (excluding grants to local budgets)	309.1	305.2	- 3.9	98.7
— Expenditures of local budgets	66.2	58.0	- 8.2	- 87.6
— Expenditures of health insurance agency	0.0	53.5	53.5	
Balance of Revenues and Expenditures	- 5.8	0.0	5.8	x

¹The expected reality was construed as if, in 1992, the corresponding part of the federal budget had already been in the state budget.

²In 1992, special revenues—transfer of means from the CR National Property Fund, special grants and allocations from the state budget, transfers from local budgets, bonds for comprehensive residential construction—without the extra revenues internally generated, grew by 35.2 percent.

Table 2
Relations in the System of Public Budgets in 1993

Indicator	1993 Proposal in Kc Billion	Structure in Percent
Total SR Revenues (Center)	342.2	100.0
Total SR Expenditures	342.2	100.0
Including:		
Internal expenditures	298.4	87.2
Grants to local budgets	17.0	5.0
Total paid insurance	26.8	7.9
Including:		
— Employees of budgetary and contributing organizations—health	3.3	1.0
— Employees of budgetary and contributing organizations—social	7.5	2.2
— Nonproductive individuals	16.0	4.7
Local Budget Revenues	58.0	100.0
Including:		
Internally generated revenues	41.0	70.7
Grants from state budget	17.0	29.3
Expenditures of Local Budgets	58.0	100.0
Including:		
Internal expenditures	55.3	95.3
Paid insurance for employees of budgetary and contributing organizations	2.7	4.7
Including:		
— Health insurance	0.7	1.2
— Social security insurance	2.0	3.5

Revenues of the Health Insurance Agency	53.5	100.0
Including:		
From entrepreneurial entities	22.2	41.5
From employees	11.3	21.1
From state budget	19.3	36.1
Including:		
— For employees of budgetary and contributing organizations	3.3	6.2
— For nonproductive individuals	16.0	29.9
— From local budgets	0.7	1.3
Expenditures of the Health Insurance Agency	53.5	100.0

The state budget therefore redistributes Kc17 billion for the benefit of the local budgets and Kc20 billion for the benefit of the health insurance agency.

In contrast to last year, total revenues of the system of public budgets are to grow by 12.8 percent (Kc47.2 billion) and expenditures by 11 percent (Kc41.4 billion), which, given the rate of inflation in 1992 (11-12 percent), including a nonrecurring jump in prices in January 1993 (7-8 percent), means a real decline in the total volume of budget resources and expenditures (using the deflator of 15 percent, whose value corresponds to the lower limit of expected inflation, and this, therefore, means a 2-percent real decline in revenues and 4 percent decline in expenditures).

State Budget

In contrast to the anticipated reality for 1992, the state budget for this year increases on its revenue side by 5.6 percent and, on the expenditure side, by only 1.2 percent. The change in the structure of the public budgets made it possible to reduce the expenditures of the state budget primarily for health care and grants to local budgets. (Both spheres raised their own revenues.) That is why some other expenditures could rise by as much as tens of percents (direct transfer payments to citizens and public services consumption, but also government credits and debt service).

Table 3
Czech Republic State Budget

Revenues (in Billions of Kc)	Expected Reality 1992	State Budget 1992	Index 93/92
Total Tax Revenues	296.6	226.1	76.2
Including:			
Value-added tax and excise tax ¹	87.0	126.4	145.3
Income tax from legal entities ¹	82.8	85.9	103.7
Individual income tax ¹	48.8	1.3	2.7
Custom-duty	9.4	7.5	79.8
Levies and tax on wages	67.8	0.0	0.0
Highway use tax	0.0	4.1	x
Other taxes	0.8	0.9	112.5
Contributions for social insurance	8.9	97.1	1,091.0
Nontax revenues	18.7	19.0	101.6
Including:			
Czech National Bank levies	1.2	2.0	166.7
Accepted interests	3.8	3.4	89.5
Income from government credits	7.1	8.2	115.5
Revenues of budget organizations and levies from contributing organizations	5.2	4.3	82.7
Other	1.4	1.1	78.6
Total revenues	324.2	342.2	105.6

Expenditures (in Billions of Kc)			
Transfers to enterprises	30.0	31.2	104.0
Including:			
Investment	5.4	5.5	101.9
Noninvestment	24.6	25.7	104.5
Investments of budgetary organizations and investment grants to contributing organizations	23.4	23.6	100.9
Transfer payments to the public	103.6	119.6	115.4
Including:			
Government subsidies	13.0	12.3	94.6
Unemployment benefits	3.5	6.5	185.7
Other social security benefits	87.1	100.8	115.7
Public services consumption	71.5	57.4	80.3
Including:			
Health care	37.4	19.1	51.1
Education	25.9	34.8 ²	134.4
Culture	1.4	1.9	135.7
Other ³	6.8	1.6	23.5
Public services consumption by state	66.3	72.6	109.5
Including:			
Defense	21.0	21.5	102.4
Security	12.0	15.9	132.5
Other ⁴	33.3	35.2	105.7
Government credits	2.9	7.3	251.7
Debt service	11.4	13.5	118.4
Including:			
Debts of former federation	6.4	9.5	148.4
Grants to local budgets	29.2	17.0	58.2
Total expenditures	338.3	342.2	101.2

¹In 1992, sales tax, profit tax, tax on wages.

²The high indexes for these items were influenced by the growth of expenditures in 1993 for insurance premiums, which, for example, for the education department amounts to approximately Kc5.6 billion.

³Increased expenditures in 1992 were caused by some items such as, for example, grants for heating, rents, property improvement, refugee housing, and so forth.

⁴This item represents expenditures of budget and contributing organizations in the areas of economy, science and technology, projects, geodesy, geological work, statistics, financial services, civil defense, fire protection, government administration of the center and subordinate organizations, courts, prosecutor's offices, and so forth.

Table 4
Local Budgets of the Czech Republic

Revenues (in Billions of Kc)	Expected Reality 1992	Proposal for 1993	Structure of Revenues 1993 (in Percent)
Total internally generated revenues	28.1	38.0	65.5
Including:			
Enterprise levies and taxes	3.1		
Income tax	4.7		
Real estate tax (rent tax, relocation tax)	2.5	3.6	6.2

Individual income tax	—	17.7	30.5
Income from activities of budgetary and contributing organizations	4.1	4.9	8.5
Administrative fees	1.4	1.5	2.6
Local fees	1.1	1.3	2.2
Revenues from sale, renting, and the realization of property	2.0	2.0	3.4
Supplementary, occasional, and other revenues	4.0	0.8	1.4
Transfers from funds and other sources	5.2	6.2	10.7
Extra revenues ¹	17.2	3.0	5.2
Internally generated revenues, including special revenues	45.3	41.0	70.7
Total grants from SR	29.2	17.0	29.3
Total revenues	74.5	58.0	100.0
Expenditures (in Billions of Kc)		Proposal for 1993 in Kc Billion	Structure in Percent
Investment expenditures		7.3	12.6
Noninvestment expenditures of enterprises of public utility services		4.5	7.8
Noninvestment expenditures of budgetary and contributing organizations		46.2	79.6
Total		58.0	100.0

¹Special revenues in 1992 include transfer from the National Property Fund, special grants and appropriations from the state budget, transfers from local budget funds, bonds for comprehensive residential construction.

In the structure of expenditures, there is a decline mainly in the share of transfers to enterprises from 8 percent to 7.7 percent, and in the share of public services consumption by state from 17.7 percent to 17.1 percent. On the other hand, there is an increase in the share of transfers and public services consumption from 53.4 percent to 55.9 percent.

The change in the structure of the state budget does not appear to be large. In current prices, the transfers to enterprises and the public services consumption of the state have even moderately increased, but, seen through the prism of constant prices in the expected 15-percent inflation, the decline is much more radical.

A certain distortion in the transfers of services consumption by the public and the state is caused also by the increase of insurance expenditures for employees of budgetary and contributing organizations, which was introduced on 1 January 1993. The quality of comparability has also declined as a result of the shift of the expenditures of the former federal budget (in 1992 almost Kc135 billion, of which Kc87.1 billion goes into the CR budget).

Budgets of Okres Offices and Communities

The introduction of the new tax system made possible the establishment of a new concept of local budgets, which are based on the following plans and goals:

- Base the creation of the budgets on accessible resources and adapt to them the amount of goods and services provided in okreses and communities.
- Increase the financial and budgetary self-sufficiency and independence of decisionmaking of the communities.
- Strengthen the links of the economic and social development of territorial units to the dynamics of the economy of the entire Czech Republic.
- Reduce the dependence of territorial units, okreses and communities on grants from the state budget, and limit redistribution at the okres level.

The extent of self-sufficiency of local budgets will reach 65.5 percent, which, together with the special revenues, will exceed 70 percent of the resources. Only the remaining 19.3 percent will come from state budget grants. Consequent to the new tax system, the internally generated revenues of territorial budgets will come mainly from personal income taxes (except income tax on capital assets) and real estate taxes.

Budget of the Health Insurance Agency

The total of the expenditures for health care is covered from the resources of the health insurance agency, the state budget, and local budgets. It shows the highest midyear increase of all the subheads: 47.7 percent.

The revenues of the health insurance agency in the total amount of Kc53.5 billion will come from insurance premiums (enterprises and entrepreneurs—more than Kc11 billion), but will be covered in part directly from the state budget, which will pay to the insurance agency insurance premiums for the nonproductive population group in the amount of Kc16 billion. The expenditures of the health

insurance agency will be paid according to a special points system to individual health facilities on a contractual basis.

Besides the budget of the health insurance agency, noninvestment expenditures in the amount of Kc3.9 billion will be financed directly from the budget of the Ministry of Health, of which Kc3.1 billion will go for public services consumption (sanitation services, rescue services, and so forth).

Table 5
Health Care

Total Expenditure for Health Care (in Billions of Kc)	Expected Reality 1992	Budget 1993	Index
Total expenditures for health care (including local budgets)	42.1	62.2	147.7
Including:			
Investment expenditures	2.8	3.8	135.7
Noninvestment expenditures	39.3	58.4	148.6
Financed within that amount:			
From state budget	37.4	3.7	x
By health care insurance agency	—	53.5	x
From local budgets	1.9	1.2	63.2

Prospects

From the standpoint of the budget, the beginning of the calendar year is always nonstandard, and this year it is doubly so, given the transition to a new tax system with different due dates for tax payments. At the beginning of 1993, some payments and levies generated by the economy during 1992 were still running out, and, on the other hand, payments of value-added tax were only starting on 15 February. For that reason, regulatory measures for expenditures were established for the first quarter. They do not affect wages payable but impersonal expenditures that can be drawn only from 22 percent (instead of a full quarter—that is, 25 percent).

The budget is unquestionably constructed on very cautiously considered foundations. If no very serious swings, especially in revenues, occur, it should fulfill its stabilizing function and, at the same time, cover the built-in social functions.

* Czechinvest Founded To Ease Foreign Investment

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Czech 26 Mar 92 pp 1-2

[Article by (si): "Czech Agency for Foreign Investment Established To Ease Decisionmaking for Foreign Capital"]

[Text] Prague—We need foreign investment. The problem that was being constantly encountered by foreign investors, however, was primarily the result of a

palpable shortage of information. This shortage of information was not successfully eliminated even by the former Federal Agency for Foreign Investment.

Now, following the disintegration of the CSFR, a Czech Agency for Foreign Investment has come into being. This is a contributory organization focused upon presenting the Czech Republic as a country with advantageous conditions for foreign investors. Its basic mission is to recruit foreign entrepreneurs to invest in the Czech Republic, to provide them with all of the information and assistance necessary toward this end, and to facilitate their decisionmaking.

As Vladimir Dlouhy, minister for industry and commerce, noted yesterday, we do not need foreign capital that might be interested in speculatively acquiring cheap profits in this country; we need such capital that would activate the Czech production potential. "We need it not only to support domestic production but also from the standpoint of our proexport policy. The Czech Republic will be facing a shortage of capital and needs technology transfer and know-how in both the industrial area and in services." He added that it is not possible to promise foreign capital any advantages because the government wants to proceed along the road of making privatization as transparent as possible. The problem faced by foreign investors is primarily the lack of clarity with respect to the approval process as it pertains to the difficult search for partners, and this is the very reason the Czechinvest Agency was created.

According to information provided by the director general of Czechinvest, Jan Amos Havelka, members of the

Management Committee are representatives of the Ministry of Industry and Commerce, the Ministry of Economics, the Ministry of Foreign Affairs, the Czech Chamber of Commerce and Industry, the Czech Republic Industrial Association, the Czech Republic Association of Entrepreneurs, and representatives of the Investment Bank, the Bank of Commerce, and the Small Business Bank (Zivnostenska Banka).

In recent days, the Czech Republic, as the only one of the countries of the former communist bloc, was designated by one of the foreign services as a country suitable for investment. We were interested in seeing whether investors would have the same degree of confidence in the Czech Republic even after the Czech Government decided to withhold securities from Slovak holders of investment coupons. "The task to be performed by Czechinvest is a long-term one," responded V. Dlouhy. "In this case, however, we are dealing with a short-term influencing of the investment climate in this country on the basis of a government decision. I repeat again what I am constantly saying pertaining to such an occasion: The government did nothing other than alter the appropriate government regulation, so that a shift occurred with respect to a certain date. I do not wish to speculate what the influence of this is on foreign investment."

*** Capital Shortage, Other Obstacles to Entrepreneurship**

93CH0521D Prague HOSPODARSKE NOVINY in Czech 5, 16 Mar 93

[Article in two installments by Jana Viteckova of the Sociological Institute of the Czech Republic Academy of Sciences, analyzing an opinion poll of an entrepreneurial generation: "The Foundations for a Middle Class; The Main Obstacle Is a Shortage of Capital"]

[5 Mar p 8]

[Text] *One of the most rapid and highly visible reactions to the change in the political situation following November 1989 was the explosion of entrepreneurial initiative. The elimination of political barriers and political support, legislative liberalization, and interventions into the economy combined to change the initial phase of the postcommunist transformation into an actual golden age of efforts to become economically independent.*

The number of permits for entrepreneurial activity rose rapidly toward a million. The newly developing private sector gradually took control of a significant portion of the distribution networks, of small-scale construction activities, personal services, created offerings of hitherto nonexistent consultation services, and other commercial services. This component of private sector renewal "from below" has, for the present, outweighed the economic and social effects of privatization in terms of timeliness, with its capitalization of reserves, its economic effect, its territorial impact, and its social import.

The development of small and medium-size entrepreneurial activity is a phenomenon that reflects the course of the transformation process, but, at the same time, forms it actively. It is polyfunctional in nature. It influences legislation as well as the specific image of the economic mechanism, opens opportunities for professional mobility and social upswing, and changes the value system and social morality. It lays the foundations for a new entrepreneurial middle class. However, it is accompanied by previously unanticipated forms and dimensions of economic parasitism and criminality. For its multifaceted effects, it requires social support and regulation. However, sufficiently reliable and readily available findings are lacking for the optimization of state interventions—and current problems only tend to confirm this.

In the Sociological Institute of the Czech Republic Academy of Sciences, a research project was undertaken in 1992 as part of the grant project sponsored by the Czechoslovak Academy of Sciences, which was participated in by 1,000 businessmen representing the same number of enterprises and corporations registered in the Commercial Register. Selection was made at random, and 21 okreses were represented. Despite the fact that it was impossible to contact some of the selected enterprises, and despite the fact that others refused to participate in the research project for various reasons, we consider the results obtained to be sufficiently representative of the given form of entrepreneurship, in view of the method used. Some findings, which are interesting for the broader economic public, will be published gradually.

Registration Does Not Mean Entrepreneurial Activity

The first unplanned result of the research project, which was important for purposes of evaluating currently published statistical surveys, is the confirmation that the registers are unreliable. Many registered entrepreneurs never actually began entrepreneurial activity or halted their activities shortly after registration. The registration procedure itself was highly unreliable; nonexistent addresses and fictitious names were not an exception. Changes were not reported, and registrars were not able to adapt. Even in terms of participants in the research project, only 87 percent of the respondents were engaged in entrepreneurial activities. (We are making use of their responses in further analyses.)

The reregistration program at the end of 1992 eliminated many of these shortcomings. The decline in the number of registered entities is predominantly the consequence of bringing the registers more in line with reality. The introduction of the new taxation system should take place after a sufficient amount of time has passed. The currently listed data regarding the number of entrepreneurs from 1990 through 1992 are a measure of the entrepreneurial interest but not of the extent of entrepreneurship. Any estimates based on these data would, at the very least, be highly controversial.

Who Makes Up the Entrepreneurial Class?

The new entrepreneurial generation does not differ in terms of its fundamental social characteristics from the composition of similar groupings in developed market economies. The decision to become economically independent must be reached, and the background and motivation for it must be acquired. Among entrepreneurs, men predominate; there were 11 percent women in our sample. In comparison with the remainder of the population, more entrepreneurs are married (84 percent). A family provides support and stimulus. From the age-group standpoint, in this country, entrepreneurs between ages 30 and 50 predominate (69 percent of those examined).

While those who were in business before 1990, for the most part, came from those professions that have a significant portion of manual work and were predominantly journeymen and middle-school graduates, the current entrepreneurs are showing a greatly increased share of advanced school education in terms of the population average (44 percent of those examined). And even the structure of the starting professional experience has changed. Only 12 percent of the respondents were blue-collar workers before beginning their entrepreneurial activities. More as an exception, some were workers of the political or administrative apparatus (those professions were listed by 1.5 percent of those examined).

Becoming economically independent became an opportunity primarily for engineering-technical and technical-economic workers. Some 40 percent of those examined had worked in the management and administrative economic apparatus, beginning with positions as directors and ending with positions as shop foremen, before initiating their entrepreneurial activities. Eleven percent of the entrepreneurs had held positions as director (chief) of an organization in their previous professional career; 16 percent had held the office of chief of a major organizational component, and 44 percent had been chiefs of a basic worker collective. Only 25 percent of the respondents never held a leading position.

In the case of private businessmen, who are not registered in the Commercial Register, business activity and employment coincide predominantly. In our sample, 78 percent of entrepreneurs engaged in business activities, and 7 percent were pursuing other casual money-earning activities. Eleven percent of those investigated were engaged in parallel permanent employment.

Trade Dominates

Only 2 percent of the investigated enterprises began their activities before 1990; 9 percent were renewing an older family tradition as a result of the new enterprise, and 15 percent had a state or cooperative enterprise as their predecessor. But the majority were beginning from scratch.

Only a fourth of the monitored enterprises has production as a principal or secondary part of its program; a relatively small number represent traditional personal services. Unequivocally, trade dominates. Trade brokerage, wholesale as well as retail, represented the main effort of 58 percent of the enterprises. Consulting firms and other commercial services and activities that were previously classified as so-called nonproductive activities are very strongly represented.

In contrast with the expectation that enterprises registered in the Commercial Register should be making up the middle and higher layers of the entrepreneurial pyramid, these were, in fact, more the small enterprises, which were organizationally underdeveloped and which had limited capitalization. Almost 46 percent of the enterprises were beginning their activities with capital of less than 100,000 korunas [Kc]; another 33 percent had capitalization of up to Kc500,000. Only 2 percent of the enterprises were directed by a paid manager. In one-third of the enterprises, there is virtually no division of labor and no management structure. Of the investigated enterprises, 15 percent only make use of their own apartments for entrepreneurial activities; 23 percent make use of apartments and nonresidential areas. One-half of the enterprises have no paid permanent employees at all. If we take into account the entire working capacity, including that of owners, family members, and workers with their own ICO [expansion unknown], this capacity does not exceed five individuals in 48 percent of the enterprises. Only 3 percent of the investigated enterprises had more than 50 permanent employees. Enterprises that can be classified in the category of medium-size enterprises, using the criteria of developed market economies, are still the exception in the newly created private sector.

State economic policy should proceed on the basis of this knowledge. Low working capacity means low volume of output and low created profit. Siphoning off this profit at the same ratio as that applied to large enterprises can lower the absolute amount of accumulated resources below the limits of mere reproduction. Losses based on strangulation of the growth of small beginning enterprises will most likely be higher than losses based on initial tax evasion.

[16 Mar p 7]

[Text] In 1992, the Sociological Institute of the Czech Republic Academy of Sciences undertook a research project involving 1,000 enterprises and corporations registered in the Commercial Register. The first portion of the results was published in *HOSPODARSKE NOVINY* on 5 March 1993. Today, we continue with the search for answers to the question as to what the entrepreneurs think is an impediment to the more rapid development of small and medium-size businesses.

The situation facing beginning small entrepreneurs is difficult even in developed market economies, and the percentage of failures is high. Also, in our country, the

decision to become economically independent is connected with many risks, even though conditions for such efforts are more favorable in a postcommunist society that is transforming itself. On the one hand, there are political support, restitution and privatization programs, an unsaturated market, insufficient competition, laws of little effect, and an ineffective state administration. On the other, new legislation, which is far too frequently put together in a slapdash manner, is frequently far removed from an optimum solution. There is a shortage of not only free capital and contacts, but also of experience, knowledge, and skill. The past is surviving in the bureaucratism of institutions, as well as in the form of disfavor on the part of the public. The entrepreneur perceives that situation as a conflict between the new opportunities, his interests, and the myriad everyday problems that impede his progress.

A Start With Difficulties

The majority of private enterprises, including those recorded in the Commercial Register, are very small, with a minimum of paid employees. Because the duration of entrepreneurial activities has been too short, it has not been possible to overcome the start-up restrictions. The greatest start-up obstacle was and is, in the opinion of participants in the research project, the shortage of capital. The capital resources used were predominantly family savings and family property; for 89 percent of those investigated, these were the principal sources; for 48 percent, these were the only sources. In exceptional cases, loans from private individuals were used as start-up capital (6 percent of the enterprises), and sources from abroad were also used (they were admitted by 5 percent of the enterprises).

Year Entrepreneurial Efforts Were Initiated	Specific Start-Up Problems Involving	
	Capital (%)	Sales and Markets (%)
1989 and earlier	42.9	23.5
1990	42.2	27.0
1991	49.7	32.7
1992	66.0	41.3

Entrepreneurs hesitated to make use of credits and did so only if they were compelled to. They were bothered by both the amount of interest and the difficulties involved in assuring the demanded collateral. Credits by domestic monetary institutions were utilized by 33 percent of the enterprises. The average credit burden in terms of start-up capital for those who were willing to provide the required data amounted to 60 percent and was, thus, relatively high. Some 6 percent of the investigated enterprises had no other capital at their disposal and based their business activities purely on credit.

However, there are many more start-up obstacles. They include the acquisition of operating facilities, something that caused specific problems for 41 percent of the

investigated enterprises, the assertion of the enterprises in the market (30 percent of enterprises had difficulty), the acquisition of suitable employees (28 percent of the enterprises reported this difficulty), and difficulty with supplies and equipment (24 percent of the enterprises). Businessmen complained relatively less about the registration process per se, with which only 10 percent had specific problems, and slight problems were encountered by 33 percent of the participants in the research project.

The expected psychological barrier, fear of failure, lack of confidence in one's own forces, played only a marginal role with the first entrepreneurial generation (specific problems were admitted by 9 percent of those investigated).

The results of the poll indicated that, despite the brevity of the time that has passed, the expected phenomenon that involves the ever more difficult boarding of a train that is starting to move, is beginning to be observed. With the exception of operating facilities, where the situation is not changing overly much, the majority of the monitored start-up difficulties were evaluated as being better by those who began their activities sooner. The relative advantage of a timely start should intensify with the continuing economic transformation and the stabilization of the economic environment.

For the Present, on a Rising Course

Despite a difficult start and in the face of many everyday problems, the overwhelming majority of monitored enterprises found themselves on an upward growth path, even though that took place at a differentiated pace. The output volume is growing (73 percent of the enterprises); the substantive volume of entrepreneurship is growing (55 percent of the enterprises); the level of technical equipment is being perfected (66 percent of the enterprises); even the number of employees is growing, although at a somewhat slower pace (46 percent of the enterprises); and the territorial effectiveness is increasing (47 percent of the enterprises). The results of entrepreneurial expansion are the growth of entrepreneurial wealth, which is cited by 73 percent of those enterprises that were investigated. A relatively satisfactory rise in development is also confirmed by additional indirect indicators. Their overall financial situation was considered to be a problem by only 24 percent of the enterprises and was felt to be critical by 2 percent. The remainder evaluated it as being hopeful or satisfactory. And, mainly, entrepreneurs are satisfied with their decision to become economically independent and have a desire to continue their entrepreneurial efforts. Only 4 percent of the respondents admitted the possibility that they might terminate their activities.

The optimistic view of their own future is reflected by expansionary intentions. Virtually all entrepreneurs are focusing primarily on expanding the circle of their customers, their markets in the domestic area as well as abroad. Approximately one-half is definitely preparing its enterprises for modernization; one-half also wishes to

expand its operating facilities; and one-fourth definitely intends to take on new employees. The relatively lowest degree of interest involves the acquisition of additional credits. Only one enterprise in 10 is deciding to accept another loan. The caution in taking loans is the second signal that confirms the seriousness of the financial difficulties as a developmental barrier.

Obstacles to Further Growth

The principal common reason for their growth difficulties was perceived by entrepreneurs in unsuitable legislation. It can be expected that, after the transition is made to the new taxation system, the criticism of the state of existing legislation will sharpen further.

Of the factors of the microeconomic environment, first place has been unequivocally occupied by financial difficulties. In addition to high interest rates and a tax burden and growing costs of input materials, the management aspects of beginning private enterprises are complicated by a decline in the population's purchasing power and the insolvency that is plaguing the state sector. Seventy-one percent of the respondents indicated that they encountered difficulties in collecting outstanding payments. The largest debtors in this respect turn out to be the state and cooperative enterprises. Fifty-three percent of those examined complained of having problems with payments from these entities.

A surprisingly high place on the ladder of difficulties is occupied by the undeveloped infrastructure. Problems with employees, dissatisfaction with operating facilities (38 percent of the enterprises are utilizing only their own apartments or are using their apartments in addition to their operating facilities), burgeoning competition (27 percent of the enterprises had more orders than they were able to manage; on the other hand, 20 percent of the enterprises were not utilizing their full operating capacity), and the persisting supply difficulties (the unreliability of deliveries, high prices) round out the litany of the main developmental barriers.

The intensity with which growth obstacles are perceived depends on the object of the entrepreneurial activity. The most critical evaluations of their growth opportunities are made by entrepreneurs in the construction industry and the production sectors. Entrepreneurs in small communities do not have great problems with operating facilities but have difficulty establishing economic contacts and solving financial and supply difficulties. Their handicap is an undeveloped infrastructure. Entrepreneurs in large towns, particularly the city of Prague, saw their prospects as being the best. Even this differentiating dimension should be taken into account in designing supportive and regulatory policies.

The self-reflection of one's own economic standing and development opportunities is highly controversial. Some 86 percent of the respondents believed (seen objectively from a somewhat elevated level of self-awareness) that small and medium-size enterprises are decisive for the

future of the economy. However, only 14 percent consider macrosocial conditions for these conditions to be favorable and adequate. They ascribe responsibility for the creation of these conditions primarily to the government.

* Delay in Issuing Shares Could Cause Problems

93CH0521B Prague *HOSPODARSKE NOVINY* in
Czech 19 Mar 93 pp 1-2

[Article by (hr, kk, ha): "Patience Will Even Yield Shares—General Assemblies Are Clearly Once More Plaguing the Fund for National Property"]

[Text] If the issuing of all shares based on the first wave of privatization is delayed for a longer period of time, it could result in technical problems for the Fund for National Property. General assemblies, which are to deal with the results of operations and the distribution of free profits, must meet by 30 June.

According to the chairman of the Executive Committee of the Czech Republic Fund for National Property, Tomas Jezek, a government decision has resulted in delaying the issuance of shares to Czech investors by approximately two months. Then, general assemblies could not be held with actual owner participation, but under the wings of the Fund for National Property as the sole stockholder. Because the Fund for National Property cannot participate in virtually 1,300 corporation general assemblies, it will have to prepare a simplified scheme for formal procedures without the possibility of consistently evaluating economic results. "Every unified scheme is, of necessity, primitive and will not suit the corporations. This status will have very negative effects on their efficiency and on the overall progress of the economic reform. It also requires that the data base of the CKP [Center for Coupon Privatization] be reworked—that is, it must be broken down into a Czech part and a Slovak part. In this data base, holders of investment coupons are registered by their places of residence, but this still does not mean registration by citizenship, which could result in complications," stressed T. Jezek.

As we were told by K. Petrova, press spokesperson for the Czech Republic Ministry for Administration of National Property and Its Privatization, Minister Jiri Skalicky estimates the time sector for which the issuance of shares will be "frozen" to last for a period of weeks and that the Czech Government will attempt to minimize this time. This depends on how the Ministry of Finance and the Center for Coupon Privatization will manage to solve the problem.

Ivan Kocarnik, Czech Republic minister of finance, noted that the technical separation of Slovak and Czech holders of investment coupons was very difficult but, nevertheless, doable, in the event that Czech shares were not turned over to Slovak investors. However, he added that the separation will require some time.

The Funds Have Fears

We were also interested in the reaction of some investment privatization funds. Marek Soltes, the director of marketing for the First Investment Corporation, which administers nine investment privatization funds, stated that the halting of share-issuing will represent yet another wave of criticism of the funds by stockholders.

"We can expect to receive many letters from them asking why we are not fulfilling our obligations. We have made various promises—for example, promises that shares are to serve as a guarantee, on the basis of which the investment bank will make loans. The holders of investment coupons thus have nothing with which to provide a guarantee." Vladimir Bukac, executive director of the Savings Privatization Corporation, believes that the absence of ownership relationships could be further prolonged and that the startup of the capital market could be delayed.

Opinions in the Czech Republic Parliament

We asked Milan Uhdy (ODS [Civic Democratic Party]), chairman of the Chamber of Delegates, what he thinks of the idea that the withholding of coupon shares from Slovak investors should be a decision of the parliament rather than of the government. He stated that he did not want to say anything about this question because the Slovak side did not officially address the Czech parliament on this issue. Jan Kasal (KDU-CSL [Christian and Democratic Union-Czechoslovak People's Party]), deputy chairman of the Chamber of Delegates, believes that the results of the discussion in parliament would be the same as the conclusion drawn by the government. "It is, after all, self-evident that the organs of the Czech Republic must primarily have in mind the interests of the citizens of their own country. There is nothing unnatural about the fact that they are electing even this form of pressure to compel the Slovak side to settle its obligations," he said. The government decision is also considered to be correct by K. Ledvinka (ODA [Civic Democratic Alliance]), deputy chairman of the Chamber of Deputies. He told HOSPODARSKE NOVINY that the Slovak side should study the laws of the Czech Republic. He emphasized that the Czech Government had been empowered to issue implementing regulations for privatization—in other words, empowered to modify the issuance of shares. In this, there is a difference between the Czech and the Slovak regulations. When the government changed the appropriate decree, it was proceeding precisely in the spirit of the law.

* Zeman Urges Government Controls, Industrial Policy

93CH0521C Prague HOSPODARSKE NOVINY in Czech 19 Mar 93 p 9

[Interview with Milos Zeman, new Social Democratic Party chairman, by Jan Steiner; place and date not given: "Put a Stop to Monetaristic Philosophy"]

[Text] *The Social Democrats are considering a greater degree of commitment on the part of the state. In the current transitional phase, the instruments for market regulation need to be supplemented by instruments of a specific industrial, agricultural, transport, energy, social, and ecological policy, according to an interview given by Milos Zeman. We have prepared this interview in conjunction with the recent congress of the Czech Social Democratic Party.*

[Steiner] The program declaration is highly critical of the policy of the government. In its economic portion, you express disapproval of the economic policy. Where do you see the essence of the dispute?

[Zeman] This policy is based on a monetaristic philosophy—in other words, on a philosophy that has essentially failed in all developed countries and that at one time led to the fact that Margaret Thatcher was recalled by her own party and Bill Clinton was victorious in the U.S. presidential election. We are primarily criticizing the government for making use of monetarism—that is, the technique of fine-tuning in a situation in which we are virtually unable to find any stations on our radio, but receive only static. To speak less poetically, I believe that, in this transition period from the totalitarian system to a system of a developed and, thus, socially and ecologically sensitive market economy, we need to augment the instruments of market regulations by adding instruments that are applied virtually in all developed countries, instruments that specifically reflect industrial, agricultural, transport, energy, and social and ecological policies. The blind and naive belief that the market will solve everything has brought this country into a deep economic crisis, and, in view of the insolvency of a large number of our enterprises, it can, unfortunately, be anticipated that it will even worsen.

[Steiner] In other words, you favor a far stronger "helping hand" on the part of the state, but this means even a more open hand. Do you believe that, given the current situation, it is possible to demand more spending? The state budget for this year was based on the anticipated growth of the gross domestic product by 1-3 percent, and on unemployment growth to 4-5 percent. These are quite demanding goals. Nevertheless, the budget this year will not be capable of fully covering anticipated inflation in any branch.

[Zeman] For two years prior to the June 1992 elections, I was chairman of the Budget Committee in the Federal Assembly, and I realize that government policy is making the same and repeated mistake that persists to this day. The government is much more concerned about deleting budgetary expenditures than it is about how to increase budgetary revenues. Any bookkeeper can manage to delete budgetary expenditures. At that, it is not always certain that I am deleting precisely the nonproductive expenditures.

At one time, for example, a 500-million-koruna [Kc] guarantee was provided to finance the Ziar nad Hronom

Aluminum Smelter, something that is both ecologically and economically a totally nonsensical investment. And this state economizes when it comes to health care, education, science, and research, as we particularly see in recent times. It economizes in terms of ecology and in an entire series of additional areas of the public sector. It thus underestimates the multiplicative effect of some budgetary expenditures. If I speak of a similarity with the Clinton program, I have in mind, for example, investments in the infrastructure, irrespective of whether this involves transport, energy, or communications networks that might result in new market possibilities for private—in other words, privatized—domestic enterprises.

On the other hand, the state or, rather, the Ministry of Finance or the government is constantly submitting highly unrealistic optimistic estimates of development in terms of budgetary revenues, particularly of tax proceeds, and devotes only minimum attention to the factor of tax evasion so that, in the end, there is sometimes the suspicion that, instead of repairing a broken pipeline from which water is escaping quite unnecessarily, we are attempting to create a new pipeline at great cost.

[Steiner] What is your recipe for increasing state revenues?

[Zeman] In the budgetary area, the fundamental source of budgetary revenues are tax proceeds. It is self-evident that tax proceeds can be increased by two methods: either by increasing the tax base—in other words, by increasing economic output—or by raising tax rates. I am absolutely and unequivocally opposed to raising tax rates because this type of increase tends to undermine entrepreneurial motivation and is essentially a manifestation of the economic helplessness of the government.

I favor increasing economic output. I am among the proponents of the theory that claims that, in the final analysis, it is not the bankers who decide about economic growth but the producers. This means entrepreneurs of the Tomas Bat'a type or, if you like, Frantisek Cuba from Slusovice, whom I consider to be one of the most prominent Czechoslovak entrepreneurs of modern times, despite the criticism levied by Bohumil Kubat, one-time minister of agriculture. In other words, I support the opinion that it is necessary to open the motivational field precisely for these entrepreneurs, and I believe that it is necessary to create not only a private owner but also a motivated one.

I criticize all privatization techniques precisely for creating unmotivated owners and owners who are unable to influence their own enterprises, be they managers or employees.

Therefore, I believe that freeing up the motivation of these co-owners, managers as well as employees, is the fundamental factor behind economic growth because an employee who is a co-owner of his firm will be motivated to uncover reserves in its output and identify with this firm, and an analogous situation with what has happened both in Japan and, for example, in those U.S.

enterprises that operate on the basis of the ESOP [Employee Stock Ownership Plan] system, will develop. These enterprises will become expressly more productive and specifically more profitable than those enterprises that are in the hands of anonymous stockholders who are incapable of realistically influencing the output of the firm that belongs to them in a formal manner.

[Steiner] You are a proponent of a relatively strong public sector. Do you consider it to be more effective than the market mechanism, at least in some areas?

[Zeman] We shall strive for investments in both the public sector and the infrastructure, including the above-mentioned multiplication effect. Investments in the public sector, particularly investments in education, have yet another effect that cannot be neglected. These are essentially investments in the human potential. Here, the market mechanism fails; it fails even more when the allocation task is of a long-term nature. And the time delay between investments in the human potential and any economic effect resulting in raising the level of this potential is frequently as long as 20 years. And people who do not work with forecasting estimates frequently do not realize this.

We are opposed to having state enterprises in the profit-oriented sphere. But we are equally opposed to privatization of the health-care industry, education, or culture. We favor the view that neither the school nor the hospital is an enterprise that should be earning its own keep.

[Steiner] However, the government does not count on the total privatization of the health-care industry or education.

[Zeman] In my opinion, a physician should primarily treat those who are the sickest. There is the danger of a model according to which the physician will treat those who are the richest. And these are precisely the alternatives among which we must decide. Of course, I am not opposed to private doctors' offices, and I am not opposed to private sanatoriums, which will provide luxury above-standard care. I am only opposed to having a person who is sick having to depend on these private organizations in a way through various forms of supplemental payments, and I am against the existence of a standard and possibly rising quality of medical care provided by state institutions without regard to the economic situation. And this is, of course, only inadequately solved by the existing insurance systems.

I would like to bring this closer, using the example of education. If a young talented person has the capability of studying, he should be allowed to study without regard to the economic situation of his family. We already are seeing the change in the development of fees for dormitory living, for students' dining hall fees; today there is already talk (and not only talk) that education will have to be paid for; there are already problems regarding beneficial scholarships and stipends. Certainly, let private schools exist even in this area. I fear only that this

nation will not overly benefit from this and that a situation will develop that was once described by Ivan Vyskocil. He wrote: "It is correct for us to have normal basic schools and auxiliary schools, but why do we have them only at the basic level? Why do we not also have normal middle schools and auxiliary middle schools? And, if we go still further, why do we not have normal advanced schools and auxiliary advanced schools?" And I am afraid that it is precisely because of the disproportionate privatization of education that this idea by Ivan Vyskocil might be implemented.

[Steiner] In conjunction with the criticism of government economic policy, the low level of ethics involving a number of state officials, and the existence of economic mafias, you speak of a lowering of the property substance of the economy and a threat to its viability. Do you have any solutions for these problems?

[Zeman] An important point in the economic portion of our program is the struggle against two evils that are currently afflicting our economy. The first is represented by domestic economic mafias, in which a very easy connection is made between the former *nomenklatura* cadres and the nouveau riche. That curious pair of Macek-Menzel is only a minor example, but it is no exception; it is far more likely a rule. I believe that the continued existence of these Mafias can be prevented primarily by adopting laws requiring that the source of income be documented and that these laws be made retroactive for a number of years. Be aware that, in developed democratic countries, it is customary for former high-ranking state officials to be prohibited from providing consultation services for, say, 10 years following their official activities. In our country, the law virtually makes it possible for state officials who have left the state service to become new economic mafias.

The second matter involves the liquidation sale of our property to foreign countries. I favor the view that we need to create a domestic—in other words, a Czech—entrepreneurial class. And I am a proponent of the view that we should not become exclusively or primarily mercenary workers, while I absolutely do not reject the influx of foreign capital and realize that, in every developed nation, the share of foreign capital is approximately 30 percent. This has one hitch, however—namely, that the entrepreneurs in these countries do engage in entrepreneurial activities and do so very expressly abroad, which then becomes a compensating factor. I did not notice that an overly explicit stratum of Czech enterprises and Czech entrepreneurs exists, who would be owners of their firms in Germany, Switzerland, Austria, or France, unfortunately.

Apart from this, something totally different is the influx of foreign capital in our country, be it in the form of new technologies, know-how, or any other form of capital investment. Something different again is the outflow of our property to foreign countries—for example, through the form of buyouts of already created values for frequently ridiculously low prices, which are accelerated

still further by disproportionate devaluation. Thanks to this devaluation, the dollar equivalent of real wages in the Czech Republic is approximately 20 percent lower than it is in Poland or Hungary. And no one will contend that our average per capita economic output is lower than that in Poland or Hungary. I believe that this outflow abroad could be prevented by prohibitively taxing the transfer of ownership rights to foreign entities. Even this move would understandably support the development of strong domestic—in other words, Czech—capital.

* Moonlighting Job Insurance Examined

93CH0503B Prague HOSPODARSKE NOVINY in
Czech 15 Mar 93 p 5

[Article by Docent Eng. Ivan Vagner: "An Indiscriminate Approach Is Incorrect—Insurance Premiums Involved in Agreements on Work Performed Outside of Employment Status"]

[Text] In practice, health and social security insurance premiums, according to Law No. 589/1992 Collection of Laws [Sb.] and Law No. 591/1992 Sb. and their amendments and supplements contained in Law No. 10/1993 Sb., continue to cause substantial worries. Significant disparities between the law and practice arise also with respect to the paying of premiums in conjunction with agreements covering work done outside of regular employment.

The law does not clearly and uniformly identify the payers of both types of insurance premium. This fact appears to be the fundamental reason for the subsequent unclearities and various unjustified practices involved in the payment of insurance premiums. The law on social insurance premiums broadly identifies premium payers as workers active on the basis of an agreement covering their work activities. On the other hand, the law on health insurance fails to clearly identify the payers, and Section 3, Paragraph 1 leads to the conclusion that health insurance premiums are paid only where an agreement is drawn up regarding the secondary activities of an employee—in other words, where an agreement is concluded with the organization with which the employee has a work agreement. If we consider even the following explanation, provided by the Czech Republic Ministry of Labor and Social Affairs in this regard as being valid—namely, that social insurance premiums in the case of work activity agreements are paid only if two conditions are simultaneously met (monthly income of at least 400 Czech korunas [Kc] acquired over a period of more than seven consecutive days)—I believe that the following conclusions can be drawn with respect to paying insurance premiums in connection with moonlighting work:

1. The law imposes the duty to pay health and social security insurance premiums simultaneously only in case

there is an agreement on work activity within the framework of secondary activity and if the above two conditions are fulfilled.

2. The law imposes a duty of paying only health insurance if there is an agreement on performing work and an agreement on work activity, provided one or both of the above-mentioned conditions are not fulfilled, but only if the work involves secondary activity.

3. The law imposes the duty to pay only social security insurance if there is an agreement on work activity and to the extent that both of the above conditions are fulfilled.

However, I am currently encountering situations in which the employer is asserting health and social security insurance premiums on an across-the-board basis in the case of all work agreements covering work performed outside of regular employment. I do not consider this approach to be correct. Similarly, the methodological explanation provided by the General Health Insurance Institution regarding the duty to pay health insurance based on all income derived from dependent activity lacks any support in law. After consulting labor law theoreticians, I am convinced that this results in unjustified revenues for both insurance facilities, as well as in excessive payment of insurance premiums on the part of employees as well as employers.

* Explanation of Social Security Laws

93CH0503A Prague HOSPODARSKE NOVINY in
Czech 15 Mar 93 p 5

[Article by Prof. Marie Kalenska, doctor of jurisprudence: "Everyone Gets What He Has Earned—Working Pensioners and Premiums for Health and Social Insurance"]

[Text] *The laws of the CNR [Czech National Council] on health and social insurance (Law No. 550/1991 Collection of Laws [Sb.], as amended by other laws, and Law No. 200/1988 Sb., as amended by a number of other laws) have resulted in considerable criticism on the part of citizens. The rapid succession of amendments, the imprecise information contained in the press, and the complicated nature of the regulations create incorrect conclusions regarding the duty to pay insurance premiums, particularly for working pensioners.*

Doubts arise for working pensioners particularly with respect to health insurance. Pensioners who are working pay them or have them deducted by their employers; pensioners who are in private business do not have the opportunity of making their arrangements until they file their income tax returns, which show the level of income achieved by the businessmen last year.

The press, which informs the citizens on the basis of statements made by responsible officials of the General Health Insurance Institution and other institutions everywhere, claims that working pensioners have an

undoubted duty to pay health insurance premiums. A certain amount of doubt was expressed only by Z. Matis, doctor of jurisprudence, an attorney, in HOSPODARSKE NOVINY, who reached the conclusion that working pensioners could consider their payments of health insurance premiums to be unauthorized and could demand refunds. He based this contention on valid regulations governing health insurance. What, then, are the real facts?

Law No. 550/1991 Sb., which was amended by Law No. 10/1993 Sb., states, in Section 6, Paragraph 5: "If individuals listed in Paragraph 4, Letters a) through l) have incomes based on employment, business activities, or other independent money-earning activities, according to CNR Law No. 586/1992 Sb. on income taxes, the payer of the insurance premiums even for these individuals is the state." The listed individuals also include "recipients of pensions paid by the Czechoslovak social security system." Thus, matters are clear. In adopting the amendments to the law on general health insurance, the delegates wisely took into account that mandatory insurance cannot be imposed on a citizen if he already is insured for another reason. That is a principle that is recognized throughout the civilized world, and only voluntary coinsurance can be considered for such people. However, it is surprising that what the parliament has adopted is not being taken into account by officials of the General Health Insurance Institution and that they are saying something quite different. Thus, according to current legal regulations, working pensioners are not obliged to pay their share of premiums for health insurance.

A Questionable Regulation

The situation is different when it comes to insurance premiums for social security and the contribution to the state policy of employment. The provision containing the principle that a recipient of an old-age or invalid pension is not obliged to pay the above-mentioned insurance premium, even though he might be gainfully employed, was taken out of the valid legal regulation. Working pensioners are thus subject to the duty of paying premiums for social security as well as of making contributions to state employment policy. This regulation is currently being very much brought into question, and it can be anticipated that the error will be rectified on the occasion of the next amendment. The duty of working pensioners to pay insurance premiums deprives the regulation of its character as an insurance product and makes it, rather, into a special type of tax, reminiscent of insurance only on the basis of its title. And that is a highly dangerous situation because, given the existing degree of expediency, the expenditures of entrepreneurs are taken into account not in a comprehensive manner but in isolated form. Specialists in the tax sector claim that the tax burden was reduced, but, in fact, the overall burden for businessmen has increased. And besides, from the standpoint of working pensioners, this is not a question of insurance in any case, and cannot be,

because it bypasses the fundamental principles upon which insurance, including mandatory insurance, rests.

In the case of insurance, the insurer is obliged to provide the insured with satisfaction in the case of a certain event that is the subject of the insurance policy, and the insured is obliged to pay the insurance premiums. If no risk is involved, or in the event the satisfaction of the insured is not connected with any risk, there can be no talk of insurance. A working pensioner receives his pension already and is thus not anticipating any satisfaction on the basis of the insurance premiums. The same holds true with respect to the contribution for unemployment. At the very least, such a provision is in contrast to good morals in terms of its effect. Of course, it could be legislated in the form of a special tax but not only a special tax for pensioners because that would be tax discrimination against pensioners. Of course, eliminating the payment of insurance premiums for pensioners gives rise to the fear that employers may find it to be less expensive in such cases, and, thus, more advantageous, to employ pensioners than to employ younger workers. However, such a situation could be avoided by requiring an employer who employs a pensioner to make payments equal to the amount of the insurance premiums payable for other employees to the state budget or to the insurance facility. And besides, it is necessary to take into account that pensioners as a rule do work that other employees do not wish to do, either because it is poorly paid or uninteresting or because they are engaged in doing highly qualified work.

Wages or a Pension?

Another objection we can encounter will point up the necessity to solve the principle: Wages or a pension? This principle plagued the totalitarian regime for the entire period of its duration, and it was utilized to solve various situations. For example, the shortage of manpower in a certain sector led to permitting pensioners to work without restriction in manufacturing and in services, but certain restrictions did exist in administrative jobs as a rule. Of course, the starting assumption was that pensions are provided by the state social security fund, that this is state money, and that its expenditure must be regulated. In the insurance system, things are different. There, the earnings principle applies, and he who has earned his old-age pension can work wherever and at whatever he wishes, without this having any influence on his pension. Certain restrictions can be found with respect to younger widows drawing widow's pensions and in the case of pensioners who retire prematurely—in other words, before reaching retirement age. Even though in this country we are currently in a period of transition from state social security to an insurance system, we should get rid of the totalitarian principles. The principle "wages or a pension" could be asserted, at a maximum, with respect to social pensions; but there are so few of these, and they are granted under such conditions that this would probably not be very practical. Preventing the abuse of unearned pensions is a matter for the conditions of insurance.

An additional objection could be that it is hardly possible to anticipate eligibility when today's old-age pensioners did not pay insurance premiums in anticipation of their pensions. However, this does not reflect the actual situation. Nevertheless, to understand this question, it is necessary to return somewhat to historical developments.

How Things Were at One Time

During the period of the First Republic, obligatory hospital insurance, invalid insurance, and pension insurance was introduced, effective in 1926; this insurance, of course, also included medical care. This fundamental insurance law was not applied to state employees and private white-collar workers, who had substantially more advantageous arrangements. A law on insuring self-employed individuals was being prepared but did not become effective. Regulations after 1945, particularly after 1948, resulted in the creation of what is essentially a uniform system reflecting the thesis of the time regarding equal standing among all workers in relationship to the means of production. But not even in this subsequent development can one reach the conclusion that pensioners were perhaps only dependent on the generosity of the state. In 1953, insurance premiums paid by employees were subsumed into the wage tax. Employers paid the contribution for social security, which was channeled to the state budget and which included insurance premiums for hospital insurance (including health care) and pension insurance. The rate was generally set at 20 percent of the volume of wage resources; in the case of some organizations, it was less—for example, cooperatives of invalids paid 10 percent. However, propaganda claimed that care for the health was free and that pensions were also paid by the state. Unified agricultural cooperatives paid 6 percent to 28 percent of gross earnings per member; independent farmers and their collaborating family members paid 10.8 percent and 11.4 percent, respectively; and other independently employed individuals paid 10 percent and their family members 11 percent. It is, of course, beyond doubt that all of these contributions toward all social security expenditures did not suffice, but every country has to subsidize such expenditures.

In view of all of these circumstances, pensioners are convinced that they have already paid their share of health insurance premiums and social security premiums and that it is an unjustified act of intervention into their acquired property rights to deny this fact.

Insurance Is Not a Tax

Denial or restriction of acquired rights is a wrong that is similar to that being rectified today by means of restitution. It involves legal restriction of certain property rights, without an investigation of their essence and meaning, as required by Article 4, Paragraph 4 of the Constitutional Listing of Fundamental Rights and Liberties. Undoubtedly, some politicians will point to the public interest in such a procedure by pointing out that

the former totalitarian rulers did not leave behind any means for the satisfaction of acquired rights for citizens. But previous generations nevertheless bequeathed this state some values. After all, the new generations are not beginning from scratch. The previous regime also claimed at the time that the insurance funds had been pilfered by the German occupation forces and that, as a result, various negative measures were taken that resulted in restricting some claims by people who were insured.

Some employees of the various ministries tend to justify the introduction of the above-mentioned obligatory insurance, using the principle of solidarity. The principle of solidarity is a broad concept and can encompass a lot. It must be admitted that solidarity, as one of the fundamental principles, is, of course, asserted in the insurance industry. Young people pay the costs for pensioners over a certain time, with the proviso that, when they themselves are in this situation, the duty will again be taken on by the younger generation. Solidarity is also manifested in the fact that the insurance risk impacts once on this person and another time on another. To a much lesser extent, there should be solidarity in the fact that the rich pay for the poor. This is the principle upon which the tax policy of the state that anticipates bilateral equivalency rather than insurance is based. On the other hand, he who pays a lot should receive better care, higher hospital insurance, a higher pension. It is clear that the idea of egalitarianism of the previous regime is deeply rooted in our notions and will influence our legislative efforts for a long time to come.

Without Discrimination

The thinking of the previous regime, for example, strongly influenced the entire health insurance law. In democratic nations, the insured population is generally broken down into breadwinners and dependents. According to the above-cited law, in our country, the status of a dependent female is granted to a woman only if she is caring for a child under age seven, or for at least two children up to age 15, or for a health-impaired child, and so forth. From this, we can already see that the principle that everyone must work or, if he is not

working must be somehow impaired, continues to be adhered to. The detailed breakdown of family members will be, moreover, administratively demanding and will require the employment of many clerks. A comparison between the number of employees of the General Health Insurance Institution and similar institutions abroad is misleading because everywhere else, at the very least, health insurance is linked to hospital insurance. It must be stressed that our arrangement will be far more expensive than arrangements elsewhere and will result in a number of difficulties because a person who will not be paying, for example, hospital insurance premiums will have a far more benevolent approach to being declared unfit for work than would be the case if hospital insurance were paid by one and the same institution. To unify and simplify the insurance systems is one of the important ways of achieving certain savings.

In discussions on insurance, the arguments are sometimes heard that the total anticipated percentage of the insurance premiums acquired from the state budget are reflective of foreign insurance premiums—for example, in the FRG. The only problem is that, abroad, these sums are acquired on the basis of both obligatory and voluntary insurance, whereas, in our country, we are talking about anticipated amounts acquired as a result of obligatory insurance.

Abroad, mandatory insurance premiums are generally paid half by the employer and half by the employee. In our country, a criterion that is more favorable to the benefit of employees was selected. In view of the fact that everything has been conceived as mandatory insurance, it is understandable and can be agreed with. But then the state must be consistent even with respect to entrepreneurs and must not discriminate against them in comparison with employees.

At the present time, negotiations are under way to amend this truly problematic legal regulation. One can only hope that the maximum number of shortcomings will be eliminated—shortcomings that do no honor to our legislative efforts and that do damage not only to pensioners but to a whole series of other citizens as well.

* Views of FIDESZ-SZDSZ Agreement

93CH0514B Budapest MAGYAR NARANCS in Hungarian 4 Mar 93 p 9

[Interviews with SZDSZ chairman Ivan Peto and FIDESZ chairman Laszlo Kover by Peter Nadori and Seres; places and dates not given: "SZDSZ-FIDESZ Agreement; Gloria in Excelsis"—first five paragraphs are by Peter Nadori. For the text of the FIDESZ-SZDSZ agreement, see JPRS-EER-93-026-S, dated 2 April]

[Text] There is cause for joy. The troubled relationship of our two parties, clouded by mutual misunderstandings, has taken a positive turn. It makes little difference whether this took place due to a sense of shared concern for the fate of the country, or as a result of a persecution complex that appeared on both sides.

The agreement is heartwarming because it shows that politicians of the liberal parties have, by far, not fallen for talk proclaiming the glory of pragmatism, the low priority of principles, and the priority of tactics over strategy to the extent one could have believed (e.g., based on the enthusiasm they, themselves, manifested in stating these slogans). This agreement could have come about only on the basis of a similarity between programs, world views, and views of history, and this holds true even if current politics played a role in the fact that the agreement was reached in its present form, and at this point in time.

The secret lead actor is the sobbing third party, the MSZP [Hungarian Socialist Party], which once again appears to be isolated as a result of the agreement, even though its approach toward the SZDSZ [Alliance of Free Democrats] was supposedly much less serious than certain FIDESZ [Federation of Young Democrats] statements would have led one to believe. In any event, the opposition is not going to unite further, even though in the Hungarian election system one cannot win without good friends. In a second round of elections certain to come in 1993, even the party winning the first round of elections could bleed to death, if, let's say, the other two parties were able to effectively persuade their voters to vote for each others' candidates. The coalition is going to boil in its own gravy, the liberals are going to support each other, and the MSZP is going to remain all by itself, overwhelmed by the sounds of encouragement given to the others. This formula could, of course, become clouded by some more recent parties (NDSZ [National Democratic Federation], KtP [expansion unknown], LAET [Society of Those Living Under the Subsistence Level], social democrats, Hungarian Mothers, Turf Breeders, what have you), the MDF [Hungarian Democratic Forum] could break up into three parts, or a war could break out—nevertheless, rumors are that more and more gray hair is growing within the MSZP despite all these things, and especially on the heads of those who already have enough gray hair. The veterans of the past

system's staff have a justifiable hunch that they are not going to have another chance to throw the ball after the 1994 elections.

The big question relative to the agreement (or shall we call it a pact? everyone hates that) between the SZDSZ and FIDESZ is whether or not it is going to work. The close resemblance of the statements by Ivan Peto and Laszlo Kover that follow suggests that the agreement is going to work. What both of them refer to could become decisive in 1994: the streamlining of candidates running in individual districts. The extent to which the leadership will be able to persuade local organizations to accept the pact will be of key importance, because cooperation in the election will demand sacrifices on both sides. The chances of winning for both parties will increase significantly if they are able to eliminate their sense of being offended when developing a common election tactic.

This is nothing yet. But then we really will have a cause for joy.

[Question] Why did you enter into this agreement, a year before the elections?

[Peto] The agreement is consistent with the concept the SZDSZ has professed from the very beginning. FIDESZ's position has been somewhat different before—if I have to pin it to a date: prior to August, the Csurka study—it did not want to tie itself to any large party.

[Question] In reaching the agreement, was the SZDSZ influenced by the latest public opinion polls according to which the party enjoys only 6 percent of popular support?

[Peto] Although I do pay attention to these opinion polls, I do not regard their findings as realistic from the standpoint of the elections. Not that I want to console myself, but the latest poll was conducted after the media law fiasco, while parliament was in recess, and therefore under no circumstance does it reflect the SZDSZ as it is today. I do not believe that we should start out from ad hoc popularity indexes; I am convinced that the election results are going to be very different. In saying this I am not criticizing public opinion research; instead, my statement is based on the difference between popularity and the election.

[Question] How do you envision FIDESZ as a partner? Isn't the SZDSZ concerned that in case of possible cooperation in the elections, it is going to suffer the same fate from FIDESZ as it did after the Budapest local elections, when cooperation in governance did not follow cooperation in the elections?

[Peto] We do keep a record of the events, of course. The scope of this agreement is what its text indicates, nothing more. Once we approach the elections we may raise the question of how we could ensure each other of things in regard to which we should, indeed, reassure each other.

[Question] Is the SZDSZ going to make an endeavor to form a close election alliance with FIDESZ?

[Peto] In my view there is not going to be an election alliance in the sense many people understand that term, because in today's Hungarian election system each party must successfully run its candidate against all the other parties. Such an alliance is conceivable in a limited sense: We will reconcile things in certain places to avoid unnecessary rivalry among candidates who play a role in national politics. Cooperation is, of course, conceivable in the second round of the elections; the present agreement establishes conditions to discuss all these things.

[Question] How do you view the relationship between the SZDSZ and the MSZP in light of the agreement?

[Peto] The SZDSZ and FIDESZ are able to agree with relative ease regarding basic issues; insofar as the rest of the parties are concerned, only lengthy negotiations would reveal the issues in regard to which we could find common denominators, if that is possible at all. In this sense the MSZP's program constitutes a fundamental problem. Under optimum conditions today's ruling parties would not be included in the next government, and one could also prove that there is an alternative to the present coalition without having to reach back to the endeavors manifested during the period prior to 1990. To what extent one could or should deviate from this will be revealed after the elections.

[Question] Is it true that FIDESZ's main consideration in reaching the agreement was to prevent the evolution of a close relationship between the SZDSZ and the MSZP?

[Kover] There were indeed a number of indications to the effect that the MSZP and the SZDSZ were preparing a certain cooperative effort for the elections. This would have carried the threat of tearing apart once and for all the political spectrum, and with that, society, into two blocs that could never be reconciled. Accordingly, these problems played a role in entering into this agreement at this point in time, but these were by far not the most important reasons for the agreement.

[Question] Accordingly, is it true that the possibility to streamline the two parties' programs serves as a basis for the agreement?

[Kover] Unfortunately, it is becoming increasingly apparent that some great vacuum exists between the words certain parties utter and their programs. In 1990 the programs of the MDF, the SZDSZ, and FIDESZ were very close to each other, but in the course of its governance the MDF implemented something different than what its program said. Seemingly, one could also agree with the MSZP regarding a countless number of issues, but it is becoming increasingly apparent that their strategy is based on the idea that the more they promise the greater their chances of winning the elections. Taken

together, as of this moment the SZDSZ and FIDESZ programs are closest to each other. This situation was never different, despite the fact that some pronounced differences could have existed regarding certain issues, as, for example, the SZDSZ's 15 points at present.

[Question] Don't you think that the SZDSZ, running well behind FIDESZ in public opinion polls, benefits more from this agreement than FIDESZ?

[Kover] The relative strength of these two parties has indeed changed since 1990, but I am unable to weigh things this way. The issue is not which party benefits more from the agreement, but instead whether there was or could be an alternative to this agreement.

[Question] Is it FIDESZ's intent to develop this agreement into an election alliance?

[Kover] Limited cooperation in the elections is by all means possible, but I feel that in selecting candidates the two parties want to preserve their own profiles, their own people. At the same time, I think that it would be useful not to repeat the 1990 situation, when we ran people who had a chance to win against others who also had a chance to win. In doing so we diminished each other's chances of winning, and this must be avoided in 1994. Related conditions could be spelled out in a subsequent agreement. We could also establish conditions for negotiating before the second round of elections on how to provide mutual support for candidates having a chance to win the elections.

*** 'Strange Alliance': Jewish Group Joins Torgyan**

93CH0514C Budapest MAGYAR NARANCS in
Hungarian 18 Mar 93 p 11

[Interview with unidentified organizer of Christian National Union by Gabor Czene; place and date not given: "In the Footsteps of an Unusual Alliance; Members of the Labor Brigades and the Stolen Goods"]

[Text] *It is difficult to think of a more strange alliance. A political conglomerate intended to be a future election coalition called Christian National Union was formed last week with participation by the National Association of Jewish Labor Brigade Members (MUSZOE) and Torgyan's Smallholders Party, as well as 15 other organizations. The spiritual godfather who has been working in the background to establish this alliance does not want to reveal his identity for now. As he said, his name has been involved in too many things recently.*

"I fully agree that some very strange relationships have evolved in Hungarian politics in recent years," his gray eminence began his statement. "But I see nothing unusual in this alliance. At most I see a phenomenon whose internal essence is not being thought through by the average citizen. What is at issue here? There exists a national political movement in this country, the Smallholders Party led by Torgyan, one that adopted the tenet

of enforcing fundamental human rights without discrimination. This includes the protection and representation of every right of every Hungarian citizen. We know that more than 1 million Jews lived in Hungary prior to World War II; many of them were exterminated, and were robbed of their property. We must take a look at the present forces in the political spectrum. Which force offers to fully indemnify the remnants of Jewry? The political action taken against Jewry was barbaric. In my judgment they deserve for the state to bow its head to Jewry the same way as it does to those murdered by the Red terror. One must not discriminate on the basis of make-believe pretexts. The Smallholders Party agreed to fully indemnify every victim and victim's relative of the dictatorship, if it accedes to power. This is the real political and economic reason for finding each other."

[Czene] In other words, you do not understand why people wonder about an alliance between an extreme right-wing party and the MUSZOE.

[Answer] I don't know what makes Torgyan's Smallholders Party an extreme right-wing party.

[Czene] Torgyan announced that the Hungarian Way operating under the aegis of Istvan Csurka is actually the path followed by the Smallholders Party. This presumes a certain equality between the two movements. And if Csurka is not extreme right-wing, who is?

[Answer] So, do you really think that Csurka is of the extreme right-wing persuasion? What you think is your business. I have no comment at all regarding Csurka, because I do not wish to dignify him with my remarks. Insofar as Torgyan is concerned, we must take a look at the theses he already propounded. These contain none other than the universal enforcement of democratic civil rights. True, forces hostile to Torgyan want to make him look like a black sheep. But this qualifies those who want to make him look like a black sheep, not Torgyan.

[Czene] Is it also a mere coincidence that last fall the skinheads enforced order at the Smallholders demonstration?

[Answer] I don't believe that those were skinheads.

[Czene] They were, if I can believe what I saw with my own eyes. In addition, it was Torgyan who authorized the establishment of an organization by former skinheads in Eger, pursuing their activities under the Smallholders banner.

[Answer] I am unaware of this. I know of one thing. One evening a hostile force brought some young people to the basement of the Smallholders headquarters claiming that they were members of a rock group. Allegedly some undesirable persons also appeared there, but once Torgyan learned about this he prohibited the action immediately. Oh, well, is Jozsef Antall responsible for everyone who visits Bem Square?

[Czene] Aren't you concerned that the MUSZOE is going to become a kind of puppet organization that can be held

up claiming that "we can't be of the extreme right wing persuasion because, as you see, we are cooperating with a Jewish organization?!"

[Answer] Look, we are dealing simply with the expression of identical interests here. The interests of Jewry must coincide with the interests of the entire Hungarian populace. In my view, whoever objects to this wants to divide the Hungarian populace on the basis of either anti-Semitic motives, or based on a simple counterinterest, because, divide and rule, and then you need not return the stolen goods.

[Czene] How did the idea of MUSZOE running in the elections come about?

[Answer] Despite 1990 election promises and despite fundamental human rights, the interests of Jewry were swept off the table. The stolen goods were not returned to a Catholic who goes to the church, just as they were not returned to a Jew who worships the same god in a synagogue. Jews of Hungary, just as any other citizen, have a right to use political means to enforce their own, appropriate interests.

[Czene] I do not question the right of Jews to do so, my only reason for probing this issue is a conversation I had with a MUSZOE member. He said that he would not have paid his membership dues and would not have joined MUSZOE, had he had a hunch of this alliance.

[Answer] It could be that the MUSZOE member you just mentioned paid more attention to the party membership book, than to having been plundered because he was a Jew.

* Torgyan Plans Referendum on Constitutional Court

93CH0513C Budapest PESTI HIRLAP in Hungarian
13 Mar 93 p 6

[Unattributed article: "The Constitutional Court Is a Pillar of Democracy, a Step Toward Dictatorship"]

[Text] The Christian National Union [ZChN] is initiating a popular referendum aiming for the abolition of the Constitutional Court, Jozsef Torgyan announced last week after the Smallholders Party and 17 other organizations established the ZChN. The ZChN "is intended to serve as a catalyst for all endeavors related to constitutional statehood and to public welfare, which integrate the Hungarian people with the global economy," according to Torgyan.

Abolishing one of the basic institutions of constitutional statehood, one that serves as a check on the power exercised by various branches of government, would hardly be welcomed by the international community. The Constitution itself provides for the Constitutional Court, and therefore the Constitution would have to be amended in order to abolish that court. With respect to an earlier initiative for a popular referendum calling for

the dissolution of the National Assembly, the Constitutional Court ruled that Paragraph 28 Sections 2-3 of the Constitution comprehensively dealt with ways in which the National Assembly could dissolve itself or could be dissolved, and that the National Assembly could not be forced to dissolve itself based on a popular referendum.

The law on popular referendums mentions the Constitution only in a single context: The adoption (affirmation) of the constitution must be the subject of a popular referendum. This applies only to a new constitution, of course. When amending the constitution, it is up to the National Assembly to decide whether it wants to approve such affirmation.

Although lawyers are not prepared to fully evaluate the situation, the above logic clearly suggests that Torgyan's proposal could create a catch-22 situation. It would be difficult to conceive of a situation in which the National Assembly could be forced to approve such a basic amendment within the limits of constitutionality. Not to mention the fact that both the international and the sober Hungarian public would, by all means, view such action as a step toward dictatorship.

*** MDF, FIDESZ See 'Danger' in Lithuanian Example**

93CH0466B Budapest NEPSZABADSAG in Hungarian
5 Mar 93 p 3

[Unattributed interview with Laszlo Kovacs, spokesman of the Hungarian Socialist Party; place and date not given: "The 'Lithuanian Example' and Hungary; One Need Not Like It, but One Need Not Threaten"]

[Text] *Currently in Hungary "the principal political danger is the repetition of the Lithuanian course," i.e., that left-wing, socialist forces get into power, which must be prevented, Viktor Orban and Imre Konya said unanimously at the joint forum they held Wednesday at the College for Foreign Trade. "How does the Hungarian Socialist Party [MSZP] assess this position?" we asked Laszlo Kovacs, the party's spokesman, chairman of the foreign affairs committee in parliament.*

[Kovacs] The repeated mention of the Lithuanian example is not new; for weeks, Hungarian voters have been daunted by it. As is well known, at the last election in Lithuania the Democratic Labor Party achieved a parliamentary majority, and its leader, Brazauskas, later won the presidential election, as well. It is also part of the picture that the party was created by the patriotic, democratic forces of the former Lithuanian Communist Party, who played a considerable role in achieving the country's independence, but the party subscribes not to communist, but to left-wing, social democratic values.

The participants of Hungarian political life—earlier only the governing parties, but now also FIDESZ [Federation of Young Democrats]—are using this turn of events to warn the Hungarian voters and the other parties that if they don't pay attention, if they don't join forces, in 1994

"the communists will come back...." It is the prerogative of every party to regard its own victory as desirable. However, it is much less acceptable if they label the success of other democratic parties in the election as dangerous to the country.

[NEPSZABADSAG] Doesn't labeling in Hungary, such as in the case of the "Lithuanian example," cause international complications?

[Kovacs] Such uses are fraught with risks. One ought to acknowledge that in Lithuania there was no coup, but rather the earlier politics, the politics of empty phrases, unfulfilled economic and social promises, steps which created tension with the neighbors, and the arrogance of power, lost in a democratic election which the observers from the European Council designated as irreproachable. One can be sorry about this loss, but it is not reasonable to call it a danger. And from the point of view of Hungarian foreign policy it is unacceptable if a government politician calls Lithuanian leaders communists, as it happened. This could injure our bilateral relations. One should finally acknowledge that not only Lithuania, but numerous other countries of the world are governed by left-wing, socialist, and social democratic parties. One need not like them, but in foreign policy one must at any rate regard them as partners, because in international relations there is no room for ideological, political attractions or antipathies.

[NEPSZABADSAG] According to Viktor Orban, people's nostalgia favors the MSZP.

[Kovacs] In the matter of nostalgia, one must distinguish between the Nemeth government and the Kadar regime; the two are by far not identical. It is also an unjust portrayal of things if an unemployed or retired individual, or anyone who lives in difficult conditions and laments the lack of social security, is labeled as an enemy of the multiparty system. I agree that the serious economic and social problems are not the "products" of parliamentary democracy. But it is plausible that they are not just a consequence of the grave inheritance. The Nemeth government was in office for little more than one year; at that time, the country's freedom of movement was limited by the Warsaw Pact, the Comecon, and the presence of Soviet troops. After three years, in a country with a much greater freedom of movement, does the government have no responsibility for the present difficulties?

[NEPSZABADSAG] A further criticism is that left-wing values were embraced by the successor party of the former state party.

[Kovacs] I understand that Mr. Orban is worried about the socialists' growing popularity and influence, because at next year's elections every party will be competing with the others. But on what basis does he disapprove of the fact that the MSZP subscribes to left-wing values? As I see it, FIDESZ did not and does not want to represent these values as they were expressed in the Stockholm

Declaration of the Socialist Internationale, and which, it seems, are increasingly attractive to a growing number of people.

*** Fifth 'Conservative' Smallholders Party Formed**

93CH0513B Budapest PESTI HIRLAP in Hungarian
13 Mar 93 p 6

[Unattributed article: "Yet Another Smallholders Party Formed; The Fifth or..."]

[Text] Recognizing their inability to remove Jozsef Torgyan as party chairman through legitimate means, leaders of the so-called Temporary Smallholders Center decided to form a new party. The organizing meeting is scheduled to be held before noon today at the Duna Palace of the Ministry of the Interior.

This will be the fifth party claiming to be a smallholders party, according to the official register. After Jozsef Torgyan's Independent Smallholders Party, Tivadar Partay's Historical Smallholders Party, Imre Boross' National Smallholders Party, and Gyula Venczel's Democratic Smallholders Party, the fifth party is being organized by persons who once attempted a "coup." This is the group, headed by Bela Nemeth and Sandor Cseh, that made a failed surprise attempt last year at the party's Belgrade Quai headquarters to relieve Jozsef Torgyan as party chairman, and that was excluded from the party.

We learned that the 36-member National Assembly faction of the Smallholders Party had received invitations to the organizing ceremonies of the Conservative Smallholders Party, but distancing statements by members of the faction suggest that the new party is undesirable from their point of view.

*** 'Commandos' Raid Commercial TV Station**

93CH0513D Budapest NEPSZAVA in Hungarian 16
Mar 93 p 3

[MTI report: "Police at CBC Hungary; They Prevented Television Broadcasting"]

[Text] Aided by commandos, officials of the Frequency Management Institute entered the Matyasfold building of CBC Hungary Commercial Television [CBCH] last night, then dismantled and hauled away to an unidentified location some critical equipment needed for a test broadcast scheduled for 15 March. As a result of this action they prevented the independent television station located in Matyasfold from going public on free press day, according to CBCH legal counsel Marton Rajki on Monday.

In CBCH's view the action conflicts with legal provisions in force and disregards the affirmed judgment of the Budapest Court. That court set aside an earlier ruling of

the Frequency Management Institute, in which the Institute rejected CBCH's application for a frequency allocation, according to Rajki.

Endre Kormos, the officer on duty at the press division of the BRFK [Budapest Police Headquarters] told MTI that officially authorized persons of the Institute arrived at the scene not with commandos, but with policemen, after an armed guard of a limited liability corporation providing security services refused to permit entry to the television station. The action became necessary because the Institute viewed the TV station's test broadcast as an illegal pirate broadcast, because CBCH had no broadcast permit.

Frequency Management Institute chief Gabor Parragh said last Friday that test broadcasts were contrary to law, because the permit originally issued to Russian television was not transferable, contrary to what the CBCH representative said. At the same time, based on existing laws, the Institute is not authorized to issue permits to broadcast either on this occasion or in the future.

*** Crime, Breach of Duty in Military Decreased**

93CH0513A Budapest MAGYAR HONVED in
Hungarian 19 Mar 93 p 24

[Article by T.Z.: "Cases and Public Prosecutors: Fewer Complaints, More Work"]

[Text] Military prosecutors received 33 fewer complaints—2,120 to be exact—in 1992 than in 1991. But since nonmilitary, nevertheless service-related crimes once again became the subjects of military adjudication, the workload of military prosecutors' increased.

Military prosecutors investigated 1,444 cases in 1992, according to last week's press conference on crime in the armed forces and the activities of military prosecutors. Prosecutors completed their work quickly and accurately: Investigations were completed within a month in 38 percent of the cases, and within two months in 44 percent of the cases. As a result of all this, courts pronounced judgments in one out of almost every two case within three months from the date of receiving complaints. Speedy action like this is the greatest deterrent to crime. Two-thirds of the investigations produced results, but prosecutors were less successful in crimes against property committed inside the barracks.

The success and solid foundations of prosecutions is evidenced by a 98-percent conviction rate, so called. This means that courts found only five defendants innocent, and dismissed charges for insufficient evidence in only 16 cases.

Military prosecutors investigated 10 suicides, 23 attempted suicides, eight accidents involving weapons, three electric shocks resulting in death, and one each of accidents involving airplanes, tanks, or water at the Honved forces and the border guards in 1992.

The number of investigations of a general supervisory character dropped to 137 in 1992 from 286 in 1991; at the same time, however, the intensity and efficiency of these investigations improved: The 137 investigations resulted in a total of 265 indictments, or about 100 more indictments than in 1991. In addition to all this, prosecutors also handled the same number of cases as in previous years involving legality of action and public interest complaints. Approximately 14,000 persons attended 97 legal informational meetings, and prosecutors provided legal assistance to several hundred soldiers in 80 individual meetings.

Early last year the country's five military prosecutors' offices were still struggling with severe staffing problems. Although this situation was relieved somewhat in the course of the year, the individual case load remained large. Only four of the 56 prosecutor positions authorized at present remain vacant. This career still does not appeal to women: Only three members of the weaker gender are among the 52 prosecutors and their assistants.

The average age of military prosecutors is barely higher than 32, as compared to the average age of 37 of all prosecutors, and this should raise hopes. Last year the leading military prosecutors received their appointments based on competition.

Having discussed the professional staff, let us take a look at the offenders. Within the Honved Forces, 1,147 soldiers were found culpable. This number is significant because it reflects a 14-percent decline. The number of offenders among enlisted men dropped by almost one-fifth the previous number (1,025 soldiers), while the number of offenses committed by professional soldiers dropped by 10 percent (122 cases). Criminal acts committed by soldiers also dropped significantly—by more than 18 percent—and within these, the number of criminal acts of a military character dropped by 32 percent. These data suggest that within the Hungarian Honved Forces the multiyear rising trend of criminal activities has been broken. As a result of all this, the number of persons presented to the military councils of courts in 1992 dropped to 900: 241 fewer than in 1991. From among these persons 228 "got away" with reprimands or with referrals for disciplinary action.

The fact that the number of unauthorized absences declined significantly—by more than one-fourth the previous number—is worth mentioning; this rate is exceeded by a one-third decline in the number of cases involving breach of duty. In contrast to these favorable tendencies, the number of cases in which soldiers evaded performing their service duty increased from 27 to 50. True, the unauthorized use of falsified blood donor certificates at the Szolnok military district took first place in this regard.

A decisive majority—exactly 70 percent—of ordinary crimes related to service, or committed at the place of duty, involved property, and the number of unidentified offenders is highest in this regard. On the other hand, the

fact that the number of cases involving the abuse of weapons or ammunition has dropped by half—to 35 cases—should be encouraging.

*** Development Bank Chief on Credit Consolidation**

93CH0512A Budapest FIGYELO in Hungarian
18 Mar 93 p 16

[Interview with Miklos Banyai, chairman and president of the Hungarian Investment and Development Corporation, by Adrienne Kurcz; place and date not given: "Successful Credit Consolidation...Misguided Reorganization"]

[Text] [Kurcz] The 1992 credit consolidation required a huge effort and had to be completed in a rather short period of time to enable Hungarian financial institutions for sale to present a settled credit portfolio and an acceptable balance sheet to their new owners. But credit consolidation, i.e., the purging of banks from adversely rated loans, was only one of the steps that had to be taken. This question arises: What is going to happen to the enterprises and private firms whose loans were removed from the banks, loans that were transferred under the management of an institution established not too long ago. Short of appropriate market institutions, the Hungarian Investment and Development Corporation [MBF Rt.] had to accept the function of reorganizing close to 4,000 firms that brought along 150 billion forints' worth of loans. Why did the MBF had to accept the reorganization function related to credit consolidation?

[Banyai] Based on its ownership structure, the MBF will always perform certain functions required by the state, which it will perform at the government's initiative, but on business foundations. One of these functions is to settle the future of enterprises involved in credit consolidation, including the reorganization of some. As a first step, the indebted enterprises are transferred to the Credit Consolidation Fund to be managed by the State Development Institute [AFI]. The claims will be transferred from AFI to the investors and to the MBF. Our corporation wants to take over close to 100 of the 4,000 firms, mainly from among those which owe 100 million forints, and whose combined total indebtedness amounts to about 50 billion forints.

[Kurcz] What kinds of firms will be transferred to the MBF?

[Banyai] The indebted firms announced to be part of the 1992 credit consolidation program did not include those which were in the greatest need of reorganization. In this sense, then, last year's consolidation trend was misguided: The operation was successful, but the patient could have died. This occurred because even prior to credit consolidation, it was simpler for financial institutions to revolve these large and uncertain loans than to rate these as questionable, and later as bad, loans. It was more appropriate to reschedule the loans of large

debtors, than to rate them, and to build targeted reserves after these loans, pursuant to the financial institutions law. Only 39 of the 370 firms on AVU's [State Property Agency] preferential list, and of the 250 firms on the AV Rt's [State Property Management Agency] list were part of last year's credit consolidation.

In 1991 the banks reported only 15 percent of the loans that should have become the subjects of credit consolidation; 70 percent of these loans were reported in 1992. Sixty percent of the 4,000 firms are private enterprises, limited-liability corporations, limited partnerships, and individual private entrepreneurs. All this suggests that the "bomb" exploded in 1992, and decisively because of loans granted to privately owned enterprises. Accordingly, from among the three main reasons that created the large volume of bad debts at financial institutions, the decisive reasons were not the huge ratio of inherited debts, and the loss of markets by the debtor firms; the decisive reasons were low quality lending practices, credit rating practices, and the lack of a uniform credit rating system. This is the conclusion one reaches upon analyzing claims that became part of the credit consolidation package.

[Kurcz] The banks, as well as the Banking Supervision, are also concerned about the future of these debtors, because financial institutions to be privatized need creditworthy clients in order not to have to narrow their banking activities, or to avoid having to enter into new risky credit ventures.

[Banyai] For financial institutions to avoid bad clients of the kind they have just gotten rid of, and to avoid a split within the banking sector into a group of good banks and another group of bad banks—this is a real threat today—it is necessary to complete a time and capital intensive reorganization of the former clients of commercial banks. But one cannot expect the state to "put in order" the portfolios of the banks, and to then also "put in order" the clients of the banks. The financial institutions must also accept some risk and some loss. We will handle the 100-120 firms to be transferred to us in the framework of credit consolidation the same way we handle the rest of our clients subject to reorganization. As soon as we receive our authorization to act as an investment bank, we will not only reorganize firms, but will also reschedule loans, turn installment payment on loans into capital, and will, possibly, forgive loans, and if necessary, we will help enterprises by providing long-term loans.

[Kurcz] In what way should the rules for the 1993 credit consolidation be changed based on the lessons learned from the 1992 credit consolidation?

[Banyai] The 1993 credit consolidation program must include loans granted to enterprises that are in greatest need of reorganization. Conceivably, a few firms will have to be included in the credit consolidation package by using special procedures, with the agreement of the government.

MBF Rt.: Market Financing From State Resources

The MBF was established in November 1991 with a 42.2-percent share of the stock owned by AVU, 57.6 percent by AFI, and 0.2 percent by the Gambling Corporation. The firm was established with a basic capital of 4.6 billion forints, but only 30 percent of this amount was in the form of cash. MBF's own assets were valued at 6.8 billion forints. The special general meeting held on 26 February 1993 decided that from the 8-billion-forint capital increment allocated for 1993 by the Property Policy Guidelines, the MBF would receive 4 billion forints, thus raising MBF's basic capital to 8.6 billion forints, of which 5.5 billion forints would be in cash. The split in the ownership share was also changed: The AV Rt. [State Property Management Stock Corporation] now has the legally required share of 50 percent plus one share of stock, the AVU has 25 percent plus one share of stock, AFI holds a 24.89-percent share, and Gambling Corporation owns 0.08 percent of the corporation. The 4-billion-forint increase in capital was also divided according to the above formula: AVU contributed 1.641 billion forints, while the AV Rt. contributed 2.359 billion forints.

This corporation was established to provide businesslike financing for the prevailing developmental goals of the government. MBF is a market factor capable of providing a comprehensive financial background to businesses deemed as essential by the government. This is a long-term financing function that could not be expected to be performed by commercial banks. Accordingly, it is the corporation's function to reinvest privatization revenues based on business considerations into the economy. "The corporation is supposed to agree to perform only those functions that are expected to result in stable, positive profits amounting to 5-10 percent of the capital," Chairman and President Miklos Banyai said.

Managing the approximate number of 60 firms within its portfolio and acquiring equity in the future ventures of such firms is one of the chief tasks of the firm. The other main function of the corporation is to act as an investment bank. The related permit has been applied for at the State Banking Supervision. In this conjunction the stock corporation intends to supplement its activities by granting loans at rates more favorable than the market interest rates—within plus or minus 3 percent of the prevailing central bank basic interest rate—and by providing guarantees.

* New Finance Minister Szabo on Plans, Policies

93CH0484A Budapest 168 ORA in Hungarian
2 Mar 93 pp 8-9

[Interview with Finance Minister Ivan Szabo by Zoltan Farkas; place and date not given: "Something Happened; Kupa Had To Go—The People at Finance Are Hot Under the Collar"]

[Text] *When still as finance minister Mihaly Kupa was asked about how his sarcastic style was tolerated by the government, he replied: "There are at least three buyers for my brand of intellectual humor." One of them obviously must have been his heir, Ivan Szabo, who has said on a number of occasions that he supported the Kupa program. He is the one we have turned to next in our interview series introducing the Antall government's new ministers. The reporter is Zoltan Farkas.*

[Farkas] How many days or hours did the prime minister give you to think things over? And in general, how did you learn that you had been selected to head the Finance Ministry?

[Szabo] I did not get much time to think it over. I had a conversation with the prime minister, who apprised me of his plans, and stressed the importance of recognizing that during the present period of government we could not under any circumstances hope to create the kind of economic ministry that we had had in mind earlier. Besides, the key figure in economic management under the Hungarian constitutional system is the finance minister, so in this sense I had never expected the Ministry of Industry and Trade to evolve into the role of an economic ministry within a matter of six months or a year. So if I wanted to oversee the direction of the economy, he said, here is the finance minister's post, take it. He also added that he had no other persons in mind for the job, and that I should assume that I was the candidate.

Let Others Worry About the Sauce

[Farkas] Still the fact is that the prime minister has dismissed Mihaly Kupa, which runs contrary to the things he has said about how well Mihaly Kupa has done his job as finance minister, and how satisfied he was with his performance. You have also said on several occasions that you are a supporter of the Kupa program. Still you are the one who has been named to the most powerful economic post, not Mihaly Kupa.

[Szabo] The prime minister had a very important role in mind for Mihaly Kupa as head of the Transportation Ministry, in light of the fact that hundreds of billions of forints are about to be invested in the infrastructure within the coming years. In our conversation the prime minister also indicated to me that he wanted to see Mihaly Kupa in that position, insisting that the functions of that office would no longer be limited to railroad development and other similar specialized issues, but that it required an economist who knew how to handle money.

[Farkas] But it was from the most powerful economic post that he has dismissed Mihaly Kupa, replacing him with you.

[Szabo] As minister of finance Mihaly Kupa headed the economic cabinet. These two functions are naturally connected, and they are not tied to any individual or ministry.

[Farkas] But to this Mihaly Kupa's answer was that he did not know anything about transportation....

[Szabo] Clearly he was politely sidestepping your question, for you really do not have to be an expert in transportation. That is what the leadership of the MAV [Hungarian State Railroad] is there for, and the managers of our transportation enterprises. His job was to be to lend personality to the effective implementation of infrastructure-related investments and negotiate international licenses, both of which are clearly and thoroughly economic issues.

[Farkas] While you were touring the Far East with Arpad Goncz some brought up the argument against you that while you were indeed a compromise-seeking politician and someone in government circles who has always been able to talk to anyone, you are rather far removed from financial affairs.

[Szabo] This misunderstanding stems from some people's failure to recognize that the Ministry of Finance is not a budgetary institution, unlike in several Western countries, where there is an economic ministry and where the task of the finance minister is to work on the budget. That is not what we have here. As an economist my focus of interest is macroeconomics, but I believe that letting someone else prepare the sauces does not disqualify one from being an excellent restaurant owner.

Contemplating the Deficit

[Farkas] That may be true, but at a hearing before parliament you still insisted that financial policy should be adjusted to the real processes taking place in the economy, which, I believe, makes a lot of people at finance become hot under the collar. For the real danger in this country has always been that of allowing the real processes to destroy the budget, and the fact that the removal of all controls from the economy would lead us into further indebtedness. So with this one statement you have managed to upset the expert community in just one week.

[Szabo] Obviously we need to clarify a misunderstanding here. It is clear that one-sided solutions always have the tendency to upset the balance, but it is also a fact that in the case of the budget deficit, which must be kept within certain bounds, there are two possible approaches to take. It seems to me that recently the driving force behind our real economic processes was not the assumption that the more efficient the economy, the more revenues it can generate, but rather the argument that severe restrictive measures needed to be implemented on the institutional level to finance the deficit. This has not really worked, as we are now at the point where we are faced with the prospect of an exponentially growing budget deficit. It is evident that unless we are willing to look at the economy as a whole, the deficit we may be looking at next year will be not 180 billion, but perhaps as much as 200, 300, or even 400 billion forints. To put it plainly: Sole reliance on taxation as a means a means of generating revenues and on pursuing a narrowly

defined, restrictive monetary policy will not yield answers to the kinds of questions we need to face.

[Farkas] So you are proposing a new financial policy after all?

[Szabo] I am simply suggesting to amplify that aspect of it which pertains to balancing the budget from the economic side, for the economy—a functioning economy—is the best revenue generator. It is not the bud that we want to nip, but the fruit that we want to harvest, which means that we need to give the poor thing a chance to ripen. At the same time there are also previously inaccessible sources out there which heretofore we have been unable to access on the institutional level. We need to become able to tap these sources of revenue by employing new techniques.

[Farkas] Such as?

[Szabo] They say that we have a bad problem with tax-payer morale. Well, the morale will remain bad as long as we continue to allow the individual to have the sole decision over whether he wants to pay taxes or not. If I can gain hold of a source of revenues on the institutional level that will allow me not to have to rely on the citizen or the enterprises to decide whether they want to pay or not, this could become possible....

The State Running After Its Money

[Farkas] Will you be tougher than your predecessors? Are you going to be more strict in collecting taxes?

[Szabo] I will be looking more rigorously into ways of catching those who do not pay taxes. But not individually. Let me give you an example, which after we have discussed it in the economic committee is soon expected to be the subject of a government decree, namely the issue of home heating oil sales.

For years now, the government has been running after its money. If a truck is found to be operating on this kind of oil—i.e., on inexpensive home heating oil made available to the populace at a reduced price, which is just perfect for running trucks, power machines, and diesel cars—it is considered a petty offense, punishable with a maximum of 3,000 to 10,000 forints. This is clearly an ill-conceived approach to the problem when we consider that this item alone is costing the country 20 billion forints in tax revenues a year. Obviously we need to change the structure. First we give everybody the discount and only then we look at whether they are entitled to it or not. This is a bit like saying that as a citizen everyone will be getting a family supplement for five children, and those who we will find not to have five children will be fined 3,000 forint on the spot. My answer is, let the person prove that he has children and then give him the benefit.

In other words, we need to change our thinking around on such matters. I hope that already this year we will be

able to recoup 10 to 15 billion of the 20 billion forints we have been losing. All we need is to find a way to close in on the source.

[Farkas] The prognosis of the Budapest Bank came out on the same day you appeared before the budget committee. It states that this year's budget deficit may end up to be as high as 250 to 300 billion forints, in contrast with the official prediction of 184 billion. But even the 184-billion figure was deemed so high that the IMF refused to grant credit against it. What happens if the Budapest Bank's forecast turns out to be accurate?

[Szabo] Everything is possible, although I must tell you that over the past two to three years I have not been especially concerned about these kinds of predictions....

[Farkas] But the predictions have, in fact, come true. Last year the Economic Research Institute predicted the level of the budget deficit, and they were right....

[Szabo] Their budget deficit projection may have been correct, but their forecast concerning inflation and the level of unemployment was far off target. I recall them predicting runaway inflation of around 60 and even 100 percent, when in fact it turned out to be 35 percent, compared with the government's projection of 37 percent. They had told us that already last year we would have a million unemployed, and we still do not have that many.

Emotions or Politics?

[Farkas] We have 700,000.

[Szabo] Well, there is a very big difference between those two figures, and I would invite you to ask the 300,000 people whether it matters to them to be included in those statistics or not. In other words, everything is possible, but our job is to prevent such things from happening....

[Farkas] What do you intend to do? If necessary, will you consider raising taxes?

[Szabo] No, under no circumstances....

[Farkas] And if the above prognosis turns out to be true?

[Szabo] This prognosis does have elements rooted in the real processes, but on the basis of actual data for the first month there is no indication that it is accurate; for both revenues and expenditures have shown proportionate declines, and compared with last January, the deficit stands at a significantly lower level. I am not sure, therefore, how much of these prognoses are based on economically supported calculations, and how much of them are simply reflections of emotional or political expectations.

*** Privatization: Positive Trends, 'Obstacles'**

*93CH0468B Budapest NEPSZABADSAG in Hungarian
5 Mar 93 p 5*

[Unattributed report: "Obstacles Blocking Privatization"]

[Text] The AVU [State Property Office] is firmly committed to having a privatization schedule ready for every state enterprise by the end of the year, said Lajos Csepi yesterday afternoon as an invited guest at a roundtable discussion organized by the Scientific Society for Economics.

The head of the Property Office spoke about balancing the budget, securing markets, modernizing the management information system, and upgrading enterprise technology as the primary goals of privatization.

In Lajos Csepi's assessment the situation was encouraging. He supported his claim with data from the Central Statistical Office, which he said showed that the efficiency of the enterprises already restructured had improved by 20-25 percent last year. The negative phenomena that have also resulted, such as the 5-6 percent decline in employment ratios and the newly reported incidents of environmental damage, he attributed to continued uncertainties.

The privatization process must be maintained and even accelerated, the participants learned. This was made imperative by a potential loss of revenues, as, according to a study conducted by a German firm, every month of delay cost the state 6 billion forints.

As the ratio of domestic investors increases, AVU hopes, the rate of privatization will also accelerate, for "the normal condition" is 75-percent domestic involvement, not 25 percent, as is the case today. This is hindered by

three main obstacles: the lack of a firmly established middle class that would have the means to buy up state property, the limited availability of purchase options, and the need to modernize the information system.

In order to boost demand, the Property Office will be offering new preferred purchase options and installment payment plans.

*** Importation of Grain From Austria Halted**

*93CH0468C Budapest NEPSZABADSAG in Hungarian
4 Mar 93 p 1*

[Unattributed report: "Austrian Wheat Arrives"]

[Text] In the past few days we have heard conflicting statements claiming, on the one hand, that we need to import grain, and on the other, that we have sufficient reserves. According to the information we have received, 43,000 metric tons of wheat are expected to be cleared at the Sopron customs office within the next few days.

The grain purchased in Austria will be brought into the country at a price of \$130 per ton. Approximately 28,000 tons had been ordered by Grains, Inc., and another 15,000 tons by a different firm.

In response to our inquiry, Grains informed us that this was a shipment approved back in January by the Ministry for International Economic Relations. Since that time they have signed no new deals as the quantities already procured will satisfy the requirements of their customers. Besides, in their estimation there would probably be no solvent buyers for wheat at a price which since January has jumped to \$140. Hence, the suspension of the issuing of licenses, which had been ordered at the request of Elemer Geratz at the end of his ministerial tenure by the Ministry for International Economic Relations, will not affect the firm.

* Statistics for 1992 Foreign Trade Released

93EP0209A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 5 Mar 93 p 1

[Article by Danuta Walewska: "International Trade"]

[Text] According to SAD [expansion unknown] data, Poland exported \$12.9 billion worth of goods in 1992, while it imported \$15.5 billion worth. In contrast, according to the NBP [National Bank of Poland], Poland's exports were worth \$13.2 billion, while its imports amounted to \$14.8 billion. Thus, the customs documents indicate that Poland had a bigger foreign trade deficit than the bank documents would suggest.

Still, that discrepancy between SAD and NBP data may be a source of consolation, although not a major one. According to Andrzej Byrt, deputy minister of foreign economic relations, that data indicate that the Polish manufacturers have at last gained the trust of their Western partners (almost 70 percent of Polish exports in 1992 were made by private companies, compared with 60 percent in 1991). In the deputy minister's opinion, the era of the "briefcase importers," who would travel to the West with briefcases full of dollars because no one trusted them enough to supply them with raw material on credit, is coming to its end. Now the transactions are conducted in accordance with normal, civilized standards, which include, among other things, 90-day loans and letters of credit. According to Deputy Minister Byrt, the increased imports could also be attributed to the fact that the Polish Government announced its intention to introduce a 6-percent import tax in December 1992. As a result, the Polish manufacturers rushed to buy excessive amounts of raw materials abroad in order to beat the deadline.

Poland's trade with the EC has been marked by a significant deficit—\$1.4 billion. This figure may still either rise or drop, given the fact that not all data are available at this time. For example, there is no information about the production that improved the quality of imported goods, as in the case of textiles that had been brought to Poland to be made into clothing and exported to the West. According to the SAD documents available at this moment, Poland exported \$250 million worth of textiles, while it imported \$263 million worth.

The major part of that deficit resulted from the trade in machinery and tools. Poland exported \$549 million worth of them, while importing \$2.65 billion worth. "This should not worry us too much, either," said Byrt. Most of that import is an investment—modern machinery necessary to start new production and telecommunications equipment bought with cheap credit. (In other words, the goods are already here, while the creditors may wait for their money.) To be sure, this group of goods includes other items as well—television sets, videotape recorders, and so forth. At the same time, Poland bought \$424 million worth of processed food and cigarettes from the EC, while selling only \$208 million worth. Furthermore, it imported \$325 million worth of

crops and exported \$286 million worth. Imports of livestock amounted to \$500 million, compared with \$185 million worth of exports.

According to the MWGzZ [Ministry of Foreign Economic Cooperation], what is troublesome is the fact that most of the Polish exports consist of low-tech goods. Furthermore, in those areas where Poland is doing well, there is little hope for an increase in exports. With a few exceptions, Poland exports goods that are rather simple, made with low-labor input, as well as produce, certain types of textiles, and steel. These types of goods are considered "soft" in the world. What is most profitable is the export of the high-tech products, but this has been monopolized by the Japanese, the Americans, and the West Europeans. To be sure, thanks to ABB [Asea Brown Boveri?], Poland was able to enter the market of electric-power equipment of the newest generation. In addition, the indications are that, thanks to Italian investments in the Warsaw Steel Works, Poland will be able to export special steel, high in demand on the one hand and free of the antidumping tariffs on the other.

However, these are exceptions. Exports of highly processed steel should be accompanied by aggressive marketing. Before the EC cut down the steel imports, Poland managed to sell there \$1.097 billion worth of steel products, while importing only \$400 million worth.

One of the major achievements of Polish foreign trade is the sale of Polish-made automobiles to Western Europe (\$521 million worth, as opposed to \$452 million worth of car imports). To be sure, also in this case, Polish exports were propped up by a foreign investor [Italian FIAT] and his Cinquecento car [built in Poland].

According to Byrt, the structure of Polish foreign trade will change this year. The new customs policy is designed to stimulate Polish business to buy machinery and/or the parts necessary to manufacture goods that so far have not been made in Poland. We will tally the effects of this policy in a year's time.

* British Trade Development Discussed

93EP0209C Warsaw RYNKI ZAGRANICZNE in Polish No 26, 2 Mar 93 p 3

[Interview with Tony Gooch, trade adviser at the British Embassy in Warsaw, by Teresa Radzimska; place and date not given: "Exporters and Investors Are Coming"]

[Text] [Radzimska] What do you think about the last year as far as the development of British-Polish economic relations is concerned?

[Gooch] In my opinion, three events stand out. Let me first recall that Prime Minister Major had announced during his visit to Warsaw in May that the visa requirements for Polish citizens paying short visits would be lifted. That happened on 1 July. That event, while advantageous for all travelers, was welcomed particularly warmly by businessmen from both countries. The

fact that they can visit each other much easier now will undoubtedly have a positive effect on economic cooperation and trade.

The establishment of the British Chamber of Commerce in Poland, officially opened in September, could be considered another important fact. It is composed of approximately 70 members. Of the 150 British companies active in Poland that I know of (there are probably more), almost half have joined the chamber. As a matter of fact, both British and Polish companies may apply for membership in this body that represents their common interests.

The third event worth pointing out is the December signing of a British-Polish agreement regarding the establishment of a joint venture worth \$171.5 million, which will manufacture float glass in the Sandomierz Glass Works. The major British partner of that venture is the Pilkington company. This is the largest investment of British capital in Poland so far. I hope Pilkington will be followed by other large British enterprises.

[Radzynska] Until recently, British capital was not in a hurry to invest in the Polish market in any significant way....

[Gooch] That is true, but some qualitative changes took place in that regard last year. Apart from Pilkington, other important investors have stepped in—for example, British Vita PLC, a company that makes chemicals for the furniture and automobile industries as well as for wrapping products. British Vita will build a polyurethane foam factory in Brzeg Dolny, near Wroclaw, by the end of the year. The value of this investment is estimated at 4.5 million pounds sterling. Negotiations regarding the participation of large British enterprises in other important projects are under way. They probably will be finalized soon. I would like to take this opportunity to say that the major problem British investors face in Poland is uncertainty about the tax rates. We are aware of Poland's budgetary problems. However, a tax system should be clear and more or less stabilized so that the business world knows what to expect. This pertains to other areas as well—customs regulations, for one. For example, whiskey is an important British export, but we have been unable to obtain any information about how it will be taxed when exported to Poland after July of this year.

[Radzynska] Poland aside, are there any other markets where the British exporters have increased their sales so dramatically?

[Gooch] To tell you the truth, I do not know, but the fact is that British business did very well indeed on the Polish market last year. British exports to Poland increased by more than 70 percent, which does not happen very often. This increase was mostly due to oil and its by-products, which previously had not been exported to Poland. In addition, exports of other types of goods have increased—pharmaceutical and chemical products, and certain types of machinery. Thus, Poland has truly

become a huge market for British exports, with sales totaling 600 million pounds sterling. Let me add that British exporters, as opposed to some of their competitors from other countries, are not eligible for middle and long-term export guarantees. If they were, British sales in Poland might have amounted to 1 billion pounds last year. Therefore, to reiterate, Poland has become a very significant market for Great Britain, even more important than the countries of the former Soviet Union.

[Radzynska] Does the British Government agree then with the point made by the Poles that the lack of middle and long-term export guarantees hampers the development of trade, in general, and the sale of machinery and tools to Poland, in particular?

[Gooch] It is difficult to deny that. We could negotiate even more contracts if they were vouched for by the Export Credit Guarantee Department. However, the approach by the British Government to this issue is quite complex. It does not see it only in terms of the flow of goods in the near future. Our position is that we cannot act in a way that would increase Poland's future foreign debt and make its payments on the current debt even more difficult. All that, despite the reductions of the Polish debt made by the Paris Club. This is the main reason for our "reluctance."

[Radzynska] One would think this problem would have been solved during President Lech Walesa's visit to London, at least with regard to middle-term loans.

[Gooch] Not exactly. What was agreed upon was that, in certain positive circumstances—for example, if Poland reaches an agreement with the IMF and the London Club—it would be justified to take a look at Poland's finances and consider the introduction of export guarantees. It is worth mentioning that, more than a year ago, the Export Credit Guarantee Department was privatized, while its section in charge of short-term credits (up to six months) was taken over by the Dutch company NCM. In this case, the export guarantees are granted in a normal way. There is also a special program, administered by the ECGD [expansion unknown], that enables a company that invests abroad to get political risk insurance. This program is quite popular among British investors in Poland.

[Radzynska] Which corners of the Polish market are the most promising to British exporters?

[Gooch] We certainly can assume that the sale of oil will increase; refineries in Gdansk and Plock are interested in buying it for the purpose of further processing. I also think about pharmaceutical and chemical products. The British companies that make them are quite prominent in the world, and their field day in Poland is still ahead of them. In addition, we should penetrate the consumer-products market much more deeply. This has become the main goal of the trade section of the British Embassy in Warsaw: the promotion of consumer goods, especially food and drink. While our consumer-goods industry is well developed, it has not been able to penetrate the

Polish market. In contrast, U.S. companies that manufacture their products in Great Britain have been doing relatively well in Poland.

[Radzimska] Do the British manufacturers and exporters show enough interest in the Polish market? Are they active enough in their contacts with their Polish partners?

[Gooch] Judging by the number of inquiries received by my office and British businessmen who visit Poland, I think British business shows a multifaceted interest in your market. For example, the construction companies are very active now, anticipating a boom in Poland. Besides, I recently talked with the British publishers who would like to publish magazines in Poland. Other companies want to provide telephone services, while still others are interested in selling or manufacturing toys and children's clothing here. There is no area, really, where we would not contemplate a project of one kind or another.

[Radzimska] In other words, you do not have to encourage them....

[Gooch] Not at all. To be sure, however, we still have a problem with Poland's image, which is not the best in Great Britain. I do not understand exactly why that is so. People who visit Poland for the first time are pleasantly surprised by the quality of business, the amount of goods in the shops, the way the streets look, and so forth. They usually expect something much worse; they still carry around a picture of perennial shortages and poverty. I think the Polish side could work a little harder to convey a better image of Poland to the British public. I am glad that, about a half-year ago, the British press started writing very positively about Poland. Positive reports about your country were recently published in *THE ECONOMIST* and by Salomon Brothers. In addition, the Ernst and Young company ranked Poland as the best place in East-Central Europe in which to make investments and to bring capital to—eventually. Virtually everyone is aware of the fact that Poland was the first country in this region able to overcome the recession. In that context, I think "Polish Business Day," arranged in London by the British Industry Confederation for 4 March and scheduled to be attended by Prime Minister Suchocka, has perfect timing.

[Radzimska] Do you think Poland's associate membership in the EC and the first mutual reductions of the customs tariffs, made last year, have already affected British-Polish trade?

[Gooch] Certainly. As an example, one can point out the increase of the textile trade in both directions. Some of the British manufacturers enter into agreements with Polish companies to have the latter make their trademark goods. I saw that recently during my visit to the Prochnik factory [in Lodz]. What is important is the certainty that the terms of trade will not worsen. On the contrary, they should improve. This will affect British investments in Poland—for example, in the food and

electric-power industry. Aside from everything else, the psychological climate is very important.

[Radzimska] Polish exporters have not accomplished as much on the British market as their British counterparts in Poland have. As a result, Great Britain's foreign trade balance with regard to Poland is growing quickly, approaching the significant amount of 200 million pounds sterling. What, in your opinion, is the reason for that?

[Gooch] I think you ought to ask my colleague, Mr. Szuniewicz, trade adviser at the Polish Embassy in London. The recession Great Britain is undergoing has contributed to this situation to some extent. All in all, however, I would say that last year's results were not at all bad. The fact that sales of Polish products on the British market have increased by between 10 and 20 percent in the conditions of limited demand is quite an achievement.

[Radzimska] Is the trade section of the British Embassy in Warsaw ready to help the Polish exporters who want to enter the British market?

[Gooch] In principle, it is not our business. My main job is to promote British exports and investments of British capital in Poland. Therefore, I usually tell your exporters to contact the Polish trade adviser in London, which is, I think, standard operating procedure. However, whenever possible, we provide information, contacts, and addresses.

[Radzimska] Thank you for the interview.

* Taxation of Exports Higher, More Varied

93EP0209B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 5 Mar 93 p 1

[Article by K.J.: "Triple Tax on Imports"]

[Text] Although the value-added tax [VAT] on goods and services, as well as the excise tax, are supposed to take the place of the current turnover tax, the Ministry of Finance intends to uphold the current 6-percent import tax.

This would mean that, after 5 July, goods imported by Poland will be subject to a triple tax—the value-added tax, the excise tax (only on the goods classified as excisable, however), and the 6-percent border tax (the same as today). However, to continue the current 6-percent tax after that date, a new law is needed. The Ministry of Finance is already working on its draft.

The VAT and the excise tax will become law in exactly four months. This does not give businessmen much time to get acquainted with the new law, given the fact that it is construed differently from the current turnover tax. A seminar for businessmen, sponsored by the PTE [Polish Economic Society], which took place in Warsaw on 4 March, provided an opportunity to become acquainted

with the new tax law. Let us remember that RZECZPOLITA, in its EVERYDAY LAW supplement, twice weekly publishes a number of interviews with Deputy Finance Minister Witold Modzelewski on the subject of the new tax.

Representatives of the Finance Ministry admitted on Thursday that the introduction of a new tax may increase inflation. To be sure, Minister Modzelewski repeated what he had said earlier in the Sejm—namely, that “the total VAT and the excise-tax payments should not be higher than the turnover tax, contained in the price of goods right now.” However, it may happen that manufacturers and retailers will try to jack up prices by adding the VAT to the gross price (which already includes the turnover tax), instead of to the net price of a given product. (In this way, a product would be subjected to a double tax.) That is exactly what happened in the former Czechoslovakia on 1 January. To be sure, the Ministry of Finance assures us that it will draft regulations to prevent such a turn of events, but details of that project remain a secret.

There will be two VAT rates—22 percent and 7 percent. In addition, there will be a “0” rate and tax exemptions. This means that some types of businesses will have to pay more tax than they do now, while others will start paying less. In general, trade is a loser in light of the new law: The tax on traded goods will jump from 1 percent to 22 percent. On the other hand, manufacturers will gain: Their tax rate will decrease from the current 24 percent

to 22 percent after the VAT becomes law. In addition, the prices of apartments will probably increase because construction materials, now exempt from tax, will be subjected to it (although a preferential, 7-percent rate will be applied to them until the end of 1995). The prices of electric energy and gas will go up as well. Furthermore, there will be a greater demand for bank loans after the introduction of the VAT because raw materials and half-processed materials, now exempt from the turnover tax, will be taxed.

However, what is most important for VAT taxpayers today is to be registered, said Minister Modzelewski. Registration forms should be available in all revenue service offices beginning tomorrow. Only registered taxpayers will be eligible for tax exemptions and refunds.

The four most important dates preceding the introduction of the VAT are the following:

- 2 March—the registration regulations are in force
- 31 March—the deadline for taxpayers’ registration
- 21 June—the deadline for taxpayers to receive confirmation of their registration
- 5 July—the VAT on goods and services, as well as the excise tax, become law

This is not a once-a-year-tax! It is supposed to be paid currently. For the first half-year, taxpayers will file their tax returns and pay taxes monthly, up to 30 days after the month in which their tax obligation arose.

Macedonia

* Opinion Poll on Need for Elections

93BA0807A Skopje NOVA MAKEDONIJA in
Macedonian 13 Mar 93 p 15

[Report by Julijana Kocovsa: "The Ahead-of-Time Elections: Yes, but When?"]

[Text] *With a view to determining the thoughts, views, and evaluations of the public in the Republic of Macedonia in connection with some topical political processes in the state, the "Nova Makedonija" NIP [Independent Publishing Enterprise] Public Opinion Testing Agency conducted an anonymous telephone poll from 1 March to 4 March 1992 of 600 adult respondents in the Republic of Macedonia (or 0.04 percent of the electoral body).*

The respondents were chosen on the basis of a proportional random sample from the telephone directory of the Republic of Macedonia. The use of the latest techniques and methodology in this type of survey made it possible to obtain a fair representative structure of the adult Macedonian Republic population.

The interest was concentrated mainly on questions related to establishing the views of the citizens on the efficiency of the parliament within the framework of its constitutional duties; the need to disband the parliament and hold new elections; the preferences expressed by the citizens concerning political parties, should new elections be held "tomorrow"; assessing the need for live transmission of parliamentary sessions by radio and television and, naturally, what was the dominant concern of the average Macedonian citizen.

IJM [Public Opinion Testing Agency] of the RM [Republic of Macedonia], headed by Goce Georgievski.

Over 81 percent of the participants in the telephone survey expressed their dissatisfaction with the efficiency of the parliament; 58.67 percent of the respondents were in favor of ahead-of-time elections. Thoughts shared by the citizens on when to have a new parliament. One-half of the respondents were not sure.

Two years after a multiparty system was established in the Republic of Macedonia, the electorate is displaying its dissatisfaction with the parliamentary representatives for whom it voted in the first free and secret-ballot elections. Do the voters feel the need for a change in the new parliament? Every second participant in the telephone survey of the Public Opinion Testing Agency reported that he was in favor of new elections, although the same percentage of people said that should there be new elections they would be uncertain as to what party they would vote for. The survey of public opinion in the Republic of Macedonia indicates that at the present political stage there are no significant party shifts nor a new stronger party coalition group that would attract the voters and result in a different parliament compared to the one for which the people voted in the first elections.

The current structure of representatives of the parties in power cannot boast of having often justified the trust of the voters. The survey conducted by the "Nova Makedonija" NIP indicates that as many as 81.16 percent of those surveyed assess the work of the representatives in parliament, within the framework of constitutional duties, as inefficient. Traumatic setting of agendas, regular obstructions and staged blocking the work of the Assembly, and the abundant manipulations with clearly coordinated slanders have harmed and cheapened the efforts at party promotion instead of making a constructive contribution to draft laws as based on the constitutional role of the parliament. These were probably major elements for having such a high percentage of citizens critically viewing the work of the representatives.

Parliamentary Inefficiency

The respondents who assessed the efficiency of the parliament as inadequate (54.33 percent) or essentially inadequate (26.83 percent) did not show any substantial differences between the polled men and women. The view that the legislative power, as represented by the Assembly, is inefficient was a characteristic view expressed by all generations, ranging from the young to people in their sixties. Still, the highest percentage of dissatisfaction with the current members of parliament, based on the telephone survey, was found among the middle generation: 80 percent of mature people aged 30 to 49. Dissatisfaction with the efficiency with which the parliament performs its constitutional duties prevailed mainly among people with higher and secondary education. In terms of the ethnic breakdown, there were certain differences in assessing the efficiency of the parliament. The unsatisfactory assessment was double among Macedonians (61 percent) compared to Albanians (37.41 percent) or Gypsies (33.33 percent).

On the other hand, the view that the parliament is efficiently performing its constitutional duties was expressed by the majority of surveyed Gypsies (66.67 percent), followed by Albanians (30 percent) and about one out of 10 Macedonians. Dissatisfied with the work of parliament were mainly sympathizers of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity], somewhat fewer supporters of the SDSM [Social Democratic Alliance of Macedonia], and people who claimed to be supporting the liberals. The same view was expressed by supporters of the PDP-NDP [Party for Democratic Prosperity-National Democratic Party] coalition. At the same time, however, some supporters of this Albanian party bloc considered the performance of constitutional obligations by the legislative power satisfactory (37.5 percent), which was not the case of respondents supporting other parties.

The IJM established that 58.67 percent of the respondents were in favor of disbanding the parliament and scheduling new elections. The opposite view was voiced by 30 percent of the respondents, whereas 10 percent of the voters were unable to give a specific answer. The

party structure of those surveyed indicates that 80 percent of the VMRO-DPMNE sympathizers were in favor of new elections. Whether this means that they agree with the initiative which the leadership of that party recently made official in parliament or else constitutes a critical distancing from the work of the current representatives of this "most-Macedonian" party will be determined by the votes cast by this somewhat unpredictable electorate. New elections were also favored by the sympathizers of the Social Democratic Union and the liberals. However, one-third of the supporters of the SDSM and 25 percent of the sympathizers of the RSM-Liberal Party [Reformist Forces of Macedonia-Liberal Party] were against new elections. Nonetheless, 10 percent of the sympathizers of the latter party did not answer that question.

The participants in the telephone survey supporting the PDP-NDP displayed a characteristic difference in their views in favoring or being against ahead-of-time elections. They surpassed the sympathizers of the Albanian Parliamentary Coalition by no more than 3 percent in the view that the parliament should be disbanded and new elections should be held, compared to Albanian sympathizers of the PDP-NDP who expressed the view that no new parliamentary elections should be held (45.83 percent). A certain reservation in the need for new elections expressed by the Albanian population was confirmed also by the following data: whereas 62.56 percent of the surveyed Macedonians were "for," and 24.1 were against new elections, 50 percent of the Albanians who were surveyed were in favor of new elections.

New Electoral Slogans

The two years of parliamentary practice have indicated that the slogan "time for new elections" voiced by most Assembly representatives set a record for appeals voiced from time to time in parliament. But that was merely a statement. Last year, new elections were not approved by the Assembly allegedly because of the fear that the assemblymen may lose their seats before the expiration of their four-year mandate. However, there were objections to holding elections during the unfinished process of international recognition. The voters were also clearly divided as to the time for scheduling the new parliamentary elections. Most respondents believed that elections should be held after Macedonia has been accepted by the United Nations—48.83 percent; 31 percent said that elections should be held immediately; 14.5 percent were satisfied with the parliamentary representatives and would not change them before the expiration of their term, and 5.67 percent of the respondents had no specific opinion. This leads to the conclusion that virtually one-half of the electoral body believes that Macedonia would benefit from becoming a member of the world organization of nations before the full term of the current authority has expired. New elections should be scheduled after the international recognition of Macedonia was the thought expressed mainly by sympathizers of the Social Democratic Alliance (59.18 percent); the

same idea was expressed by supporters of the liberals (55 percent). Similar beliefs were also expressed by the supporters of the PDP-NDP Coalition (35 percent), with the difference that the sympathizers among the Albanian population include 40 percent who thought that elections should be held immediately. Another indicative data is that 44 percent of the VMRO-DPMNE sympathizers stated that ahead-of-time elections should be held after Macedonia had become member of the United Nations, whereas another 40 percent of the people loyal to the VMRO-DPMNE were in favor of immediate elections.

The investigation reflected the current breakdown of the theoretical electoral body in the Republic. The telephone survey indicated that one-half of the respondents (51 percent) had not made up their minds and did not know the political parties they would favor in the new elections. Thirty percent of them had no idea, whereas 21.17 percent said that not a single party deserved their vote. Such views strongly indicate that a substantial portion of the electorate does not trust the parties which assumed parliamentary power after the first elections. However, this also indicated that, for the time being at least, the nonparliamentary bloc has not been able to enthuse and attract potential voters. This leaves the clear impression that the undecided are expecting a great deal more than what they are being given presently by the parties at the present political stage. This indicates that the battle for the uncertain voters will be the most important in the electoral campaign.

A Safe Electoral Base

The study of the results of the telephone survey confirmed that the electorate among the Albanian population is gravitating mainly toward the PDP and NDP. All the indications are that this coalition has the safest electoral base compared to the other parties, as indicated by the fact that 21.83 percent of those favoring new elections indicated that they would vote for the PDP-NDP. Ethnically, the supporters of that coalition are mainly Albanian (86 percent). Furthermore, virtually no Albanian was undecided, for only 5 percent of the surveyed Albanians were uncertain as to the party they would be voting for should ahead-of-time elections be held. Unlike them, the number of undecided voters among the Macedonians was 38 percent.

Although according to the survey the Social Democratic Alliance was supported by 12.33 percent of those surveyed, compared to only 4.17 percent who went for the liberals, characteristic of both parties is the great loss in numbers compared to the first elections. In the case of the VMRO-DPMNE, which could count on the votes of 5.67 percent of the respondents in the new elections, there was no particular rating change among the supporters of that party since the first elections, compared to the extent to which support was shown for the SDSM and the liberals. Furthermore, party support of the VMRO-DPMNE and the PDP-NDP was much stronger compared to the SDSM or the liberals. This seems to

raise the question of the quality of the organizational structure of the parties based on exclusively ethnic features, compared to those belonging to the civic bloc. For example, according to the survey, a much greater number among those who could not make up their minds expressed sympathy for the SDSM or the liberals, unlike those who voiced support for the VMRO-DPMNE.

What should be the basis of the commitment by the political parties in the electoral campaign? Compared to the recognition of Macedonia and the rights and freedoms of citizens, according to the general breakdown of the answers of the respondents, priority is given to the economy. In the survey, 38.67 percent of the people expressed the view that they are most concerned with the economic crisis in the country, whereas only 8.83 percent believed that the greatest concern should be the issue of the international recognition of the Republic. Whether this indicates that by the time of the start of the new electoral campaign the recognition of Macedonia will have already been resolved, and that the parties would direct the interests of the electorate to the economy and interethnic problems, will be determined by time. On the other hand, the survey clearly indicated that interethnic relations will continue to be particularly important in the correlation between voters and parties, for almost 25 percent of the registered voters said that they are most concerned precisely with coexistence in Macedonia. In addition to the economy and interethnic relations, 20 percent of the voters expressed their concern for maintaining peace and security in the country. All of this quite clearly indicates a sensitivity concerning the state of relations in the Republic of Macedonia and, most obviously, indicates the internal factors that could have an influence on disrupting the stability of the state. Other than that, based on the party structure, the SDSM sympathizers were most concerned with interethnic relations, which was also claimed by PDP-NDP sympathizers; for the supporters of the liberals the greatest concern was the economy and for the sympathizers of the VMRO-DPMNE the international recognition of Macedonia was an important concern.

The greatest concern related to the economic crisis was a feature of the mature respondents or people between the ages of 30 and 49; based on education, this applied to citizens with higher or university training. Peace and security in the land is the concern affecting more women than men. Based on the ethnic structure, this confirms the premise that Albanians concentrated mostly on interethnic relations in Macedonia. However, the survey also indicated that a substantial percentage of Albanian respondents were concerned about peace and security in the Republic. The economic crisis had priority among the Macedonians, as confirmed by the survey: 47.95 percent of surveyed Macedonians said that they were concerned with the economic situation, whereas such concern was expressed by 17.01 percent of the surveyed Albanians.

The agency also determined the thinking of the public as to whether parliamentary sessions should or should not be broadcast live on radio and television. A positive response was given by 64 percent of the respondents, while the opposite view was expressed by almost one-third of them. The study these answers indicates that a predilection for a live broadcast of Assembly debates or arguments is most typical of VMRO-DPMNE sympathizers (81.48 percent), whereas 15 percent fewer supporters of the other parties were in favor of such broadcasts.

[Box, p 15]

Breakdown of the Electoral Body in Macedonia

Structure of the adult population in the RM

Sex	
Male	50.24
Female	49.26
Age	
18-29	25.74
30-49	40.43
50 and older	40.83
Education	
Primary	25.79
Secondary	40.43
Higher	18.86
Ethnic affiliation	
Macedonia	67.57
Albanian	20.68
Turkish	3.33
Gypsy	2.11
Serbian	2.37
Other	3.94

Structure of Surveyed Individuals

Sex	
Male	52.17
Female	47.83
Age	
19-29	28.50
30-49	42.83
50 and older	30.67
Education	
Primary	11.50
Secondary	54.67
Higher	33.83
Ethnic Affiliation	
Macedonian	65.00
Albanian	

Turkish	5.33
Gypsy	0.50
Serbian	2.33
Other	2.33

Table 1
Which Political Party Would You Vote for Tomorrow?

VMRO-DPMNE	5.67%
SDSM	12.33%
RS-LP	4.17%
PDP-NDP	21.83%
None	21.17%
No opinion	30.00%
Other	4.83%

Table 2
When Should Preterm Elections Be Scheduled?

Immediately	31.00%
After admission of Macedonia to UN	48.83%
After expiration of 4-year term of office	14.50%
No opinion	5.67%

Table 3
What Are You Most Worried About at This Moment?

Informational recognition	8.83%
Interethnic relations	23.67%
Peace and security	20.00%
Economic crisis	38.67%
Human rights and freedoms	7.33%
Nothing	1.00%
No opinion	0.50%

Table 4
Disbandment of Parliament and New Elections

Yes	58.67%
No	30.17%
No opinion	11.17%

Table 5
Estimate of Macedonian Parliament's Efficiency

Very favorable	1.00%
Mainly favorable	15.67%
Mainly negative	26.83%
Negative	54.33%
No opinion	2.17%

*** Chairman of Military Organization on Reservists**

93BA0773A Skopje VECER in Macedonian 4 Mar 93
p 8

[Interview with Jordan Spaseski, president of the Organization of Noncommissioned Officers, by B.D. Konstantinov; place and date not given: "Precise Status of the Reservists"]

[Text] *The status of the noncommissioned military officers.*

The status of Organization of the Noncommissioned Military Officers of Macedonia [OVSARM] has to be regulated in an unambiguous way, says its president, Dr. Jordan Spaseski.

In the process of shaping the Macedonian state and the defense system, along with the other systems, is one of the primary supports. However, many people do not thoroughly understand the complexity of building the functions of the state. In this sense, people have lost sight of the fact that the defense of the Republic of Macedonia is an extraordinarily complicated system, with all the characteristics of autonomy. The president of the Organization of Noncommissioned Military Officers of the Republic of Macedonia, Jordan Spaseski, spoke to us concerning the place, role, and status of the organization.

[Spaseski] The Army of the Republic of Macedonia consists of a permanent part and a reserve part, which is activated in conditions before and during war. The ratio of them is at least 1:10 (if the permanent part is 10,000, then the reserve military part is 90,000 people). Among military professionals in the world, the prevalent point of view, confirmed in world practice, is that success in war depends more upon the reserve than on the permanent part of the army.

[Konstantinov] Dr. Jordan Spaseski thinks that if we bear in mind that the Organization of Noncommissioned Military Officers of the Republic of Macedonia has more than 52,000 members, of which 35,000 are younger than 55 years old, and that 22,000 of the members are officers (18,000 having completed school for reserve officers) and 27,000 junior officers, then it is not difficult to see what is the role of this staff potential in the overall defense.

[Spaseski] In order to be able to build this potential, now organized within the framework of the OVSARM, maximally and successfully into the defense of the Republic, it is necessary to establish the status of the organization and its participation in and the financing of the activities in the Law for Defense of the Republic of Macedonia, and in the acts with which the defense matters are regulated, in a clear and unambiguous way.

[Konstantinov] As opposed to other public organizations and associations membership in which is based on the interest of satisfied personal needs, in the first place membership in the OVSARM is primarily of public

interest. The commitment of the membership, Spaseski says, is motivated by the love for the fatherland and personal professional development.

* Conference on Military Reservists

93BA0773A Skopje NOVA MAKEDONIJA in
Macedonian 3 Mar 93 p 2

[Article by Z.P.: "The Army Has To Count on the Reserve Officers"]

[Text] *The Republic Conference of Military Officers.*

Legal problems such as the still not completely confirmed status of the Organization of Military Officers of the Republic of Macedonia in the Law for Defense, as well as numerous problems, in particular concerning the financing and the organization of this institution, were, among other things, the main feature of yesterday's session of the Presidium of the Republic Conference of the Organization of Military Officers. The opinion of the head of the General Staff of the ARM, Colonel General Mitre Arsovski, was very characteristic of the numerous discussions concerning the proposed report about the work in the past year and the program for the activities of the Republic Conference and of the Presidency for this year.

According to him, the Organization of Reserve Officers has to exist and in no case must its value be questioned, since it is of particular interest for the defense of the Republic. The problem, the head of the General Staff emphasized, is that there still are no appropriate legal regulations, especially in the area of applying sanctions for failure to respond to a call for mobilization, since it is a fact that a very small number of reserve officers, especially the young ones, are answering the calls. The position of the General Staff, Arsovski says, is that this organization has to be supported, taking account of the fact that there are 52,000 reserve noncommissioned officers, and this represents, with respect to formations, the numerical composition for three divisions. Their involvement is particularly significant for defense, if it is understood that the number of the active personnel is very small and amounts to 0.5 to 0.6 percent of the population, which is among the lowest percentages in Europe. Our capacity for defense, the head of the General Staff of the ARM stated, taking account of the fact that at the moment we do not have modern weapons, technology, and equipment, is based on the soldiers and their superior training for defense, and therefore the maximum training of the reserve officers corps is of particular interest for the Republic and its defense.

* Resignation of Chief of General Staff

93BA0773C Skopje VECER in Macedonian 6-7 Mar 93
p 14

[Article by Branko Geroski: "A Chance for a Denouement"]

[Text] *After the change at the helm of ARM [Army of the Republic of Macedonia].*

The first flash commentary on the long-awaited replacement of the head of the General Staff of the ARM, Mitre Arsovski, could be worded simply, popularly: Thanks! After long, possibly overlong smoldering of the quarrel between the general's retinue close to the loquacious General Arsovski, on the one hand, and the Ministry for Defense, on the other hand, the supreme commander finally made a logical move, announced in the corridors a long time ago.

Now, since the exaltation around this act will die down (the fact that the public is not at all disturbed by the replacement of the commander indicates that for a long time it has not been necessary to work out this move), since the lamenting commentaries to the effect that Gligorov had to do all this in this way will die down (obviously we are accustomed to changes in personnel that proceed gradually: First there are none in the leader's box, then there is cursing, and finally there are excuses!), probably there will be a calm period for analyzing the damage that the "Arsovski case" has caused.

Here at least we are thinking about the direct political damage. Because there was the obvious, final, and public disclosure that behind all the pearl-like declarations of General Arsovski actually there is a clearly developed idea concerning taking the generals' corps away from civilian (government) control, with a formal request for "protection" under the aegis of the supreme commander. And while the generals, the respective minister, the government, and the supreme commander are occupied with pressure of Arsovski's retinue to change the general political option in the area of defense, to put it in the best way, strange things have taken place in the troops. The general, besieged with political ambitions, seemingly is forgetting the troops. The problems with which the officers and troops in the units have dealt every day have threatened finally and publicly to break out; simply, there will be a scandal. If the general's sin is to be judged only by this criterion, it is nothing to sneer at. VECER has continued to sketch out the anatomy of this quarrel in details and continuously, and the readers probably are acquainted with all of the details. Precisely because of the depth of the dispute, which is indicated by the involvement of the barely competent General Staff, "the sacrificing" of Arsovski may be understood only as a necessary precondition for a fundamental elimination of the unreal, and for the democratic process ruined, ambitions of these people. From this, at the present time, it is early to predict the targets of this (forced) move of President Gligorov.

Also it is early to judge if the new staff decision of the head of the ARM, Admiral Dragoljub Botsinov, guarantees undoing the crisis in behalf of the option of civilian control of the army. One thing is sure: Admiral Botsinov, as much as we have had the opportunity to get to know him in several meetings up to now, truly is a "romantic"

par excellence in his profession. Moreover, we are talking here about probably the best educated man in the General Staff. Certainly, in this officer's references, it is necessary to take account of his ability to understand "the message" from this change of the leadership: The first officer has to be concerned with that which is his work, and thinking about the political options that will be left to the minister, the government, and the president of the Republic.

However, as we have already said, it is early for commentaries and predictions. One thing is sure: With this move, which should have taken place much earlier, the Ministry for Defense now has gained a chance to solve internal problems and disputes without the constant public pressure that the former commander provoked with his ill-conceived public outbursts. The supreme commander, the minister, and the new head of the General Staff, themselves, will have to measure the depth of the personnel cut which is necessary to overcome the crisis. The public will comment and will react later, when the results appear.

*** Implications of EC Rules for Macedonian Wine**

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Macedonian 27 Feb 93 p 15

[Article by Borjana Dicevska: "Confirmation of an Acquired Reputation"]

[Text] *Last year Macedonia became an equal member of the Association of European Viticultural Regions. However, this also means a commitment to make an overall change in the previous system of grape-growing and wine production.*

With the signing of the wine charter in the city of Villafranca in Catalonia, as of last year Macedonia became an equal member of the Association of European Viticultural Regions. Actually, this is the first document of its kind that officially confirms the reputation earned by Macedonia as one of the noted grape and wine areas not only in Europe but throughout the world.

However, our wine makers should not become complacent in the development of viticulture and wine production achieved so far. On the contrary, by signing the charter they commit themselves to an overall change in the present situation into development and advancement of this important agricultural activity in our country. Specifically, as a member of the European Viticultural Regions, Macedonia will have to respect and, above all, enforce the basic criteria on which the charter is based.

European Strategy

Unquestionably, all of this means the development and application of a European strategy in wine making and marketing. This is based not only on its direct contribution to the progress of this important agricultural activity in Europe, in general, but, above all, on the further

advancement and enrichment of the nature of the cooperation so far established between Macedonia and the European Community. It is precisely this, according to Atanas Ristov, director of the wine cellar in Negotino, that must be accepted by the grape growers and wine producers as one of the opportunities for increasing exports and improving quality, acquiring new markets, and restoring the interrupted market relations with some production areas, and so on, the more so since both at the Villafranca conference and the conference which was previously held in Ohrid, the representatives of the 12 developed European countries in the areas of viticulture and wine making quite strongly stressed the need for greater development of the wine market, based on the stipulations of the single 1992 European market. Above all, this will start with the greater modernization and improvements in basic production, followed by a greater development of new varieties, ending with a different final treatment, as a result of which the wines put on the market will be of exceptionally high quality, based on their typical geographic origin.

We must prove such confidence shown in us. The question, Ristov adds, is how to do so. It is true that Macedonia has 13 wine cellars with modern capacities for the processing of 22,000 freight cars of wine and an annual grape output ranging from 280,000 to 300,000 metric tons, and so on. In exports, however, we failed to reach the necessary optimum, particularly when we are aware that so far we earn from wine exports from \$18 to \$20 million annually. This is not much, especially when we know that there is a real opportunity for wine to become the main Macedonian export item and reach foreign earnings of \$80-90 million annually. It is precisely these figures that must be accepted as the alpha and omega in the further overall changes in present relations in viticulture and wine making, involving the search for new solutions and the further tracking of European and global trends in science and technology, above all in order to maintain the high quality of the wine. Another reason is that we are still on a level that requires us to learn more from others in the organization of business relations and in the development of markets and reorienting varieties and bottling, which is our weakest point. All the more so since this also results in the interregional expansion of all types of cooperation with the European viticultural areas and, to an even greater extent, to the joint opening of third markets.

The Wine "Image"

On two occasions first prize was awarded to Macedonian wines at international competitions sponsored by the International Grape and Wine Organization, with headquarters in Paris. The "Alexandria" wine produced in Tikves was proclaimed the winner and rated exceptionally highly in a promotion event in the United States three to four years ago. This, apparently, did not sufficiently encourage domestic producers, for as much as 99 percent of the wine sold in that country is either marketed in bulk or without suitable containers. Hence, the

famous Dutch wine merchant Paul Robert Blom justifiably stressed that Macedonian wine makers are unfamiliar with the concept of bottling their wine, for which reason it is perfectly natural that they are unable to develop a specific standard for their entire output. Yet it is precisely this Dutch merchant who is the only one among Amsterdam dealers to sell the Tikves variety, for which purpose he patented and manufactured a specific type of bottle. The sales were good, and one 750-gram "Kratosija" bottle sells for nine guilders, or 8.5 German marks.

It is true that Macedonia has all the necessary prerequisites for the production of high-quality raw materials, including export wines. This is confirmed by the awards and the example of the Tikves "Kratosija" sold in Amsterdam, as well as the latest experience in the production of new sort, "Kadarka," from a German recipe. Based on the demand of the German partners, this wine variety is already being produced strictly in accordance with the German recipe by the Povardarie enterprise in Negotino. Its production started two years ago with 200 and by now has already reached 1,000 freight cars annually. It is marketed under the name of "Macedonischen Kadarka," and the trend is toward increasing its sales several hundred percent. Therefore, quality production is possible but only as long as someone else dictates it.

Practical experience has indicated that such new developments are accepted in our country with difficulty. The reason is that each vintner's cave is concerned with its own raw materials, makes the wine according to its own prescription, and operates independently on the markets. There are frequent price dumpings to the detriment

of other export houses. Business standards are being violated and the variety of grapes are changed, which influences the quality of the wine demanded on the world market. The introduction of new world-famous varieties, stresses Atanas Tanevski, adviser on viticulture and wine making of the Macedonian Chamber of Commerce, is necessary, for this determines the quality of the wine and its price. This is most clearly indicated by the current situation of the repeated freezing of the grapes, caused by the poor resistance of various strains. Practical experience has proven that the "Smederevka," "Vranec," and "Kardinal" are the least resistant, yet, unfortunately, these are our most widespread varieties. In the future, we shall carefully select our strains, above all in the areas where new vines must be planted. What is most important is that we must no longer remain a raw material base, have our wine used as a "yeast" in the manufacturing of exceptional quality wines by other wine companies throughout the world, or else have our wine sold in foreign containers and under foreign labels. This means that we must establish and develop a marketing service that will keep track of all changes in the wine market. For that purpose, the chamber has already set up a design team that will provide the main solutions not only concerning the packaging of the wine but of other products as well.

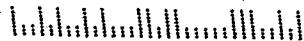
Resolving the problem of changing and improving the variety structure and finalizing this operation are necessary because, in a certain sense, this also means changing our view on the problem of wine from its regional to its international aspect. In other words, we must be familiar with the wine standards and culture, for this is important to the individual as well: Relations are based exclusively on respect for the personality and the character of the individual.

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